FISHER INVESTMENTS EUROPE™

FISHER INVESTMENTS & FISHER INVESTMENTS EUROPE

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- Data indicated in this report are based on engagement meetings for all of Fisher Investments clients. For Professional Client Use Only.

- **References to "We", "our", "us" and "the firm" in the following engagement report refer to FI.**

ENGAGEMENT OVERVIEW

OUR ESG PHILOSOPHY STATEMENT

We believe ESG investors are best served by an investment process that considers both top-down and bottom-up factors. Integrating ESG analysis at the country, sector and equity levels, consistent with clients' investment goals and ESG policies, maximises the likelihood of achieving desired performance and improving environmental, social & governance conditions worldwide.

OUR ENGAGEMENT APPROACH

We engage companies as part of our fundamental analysis, and to clarify or express concerns regarding potential ESG issues. Through engagement, we meet with management to discuss issues we believe are pertinent to the company or to gain a better understanding of its industry. Information learned from engagement is incorporated into our fundamental analysis. Further details are provided in our Engagement Policy, which can be downloaded from our website or is available upon request.

HOW WE SOURCE OUR ENGAGEMENT OPPORTUNITIES

Proprietary Top-Down ESG Assessment	Portfolio Monitoring	Client Request	Other Circumstances
• Political, Economic, Sentiment drivers • ESG thematic priority • Sector risk assessment	• Update Meetings • Ratings downgrade • Severe controversy flag • Current event	• At request of FI's institutional clients	• Company-initiated • Proxy Voting

EACH ENGAGEMENT IS:

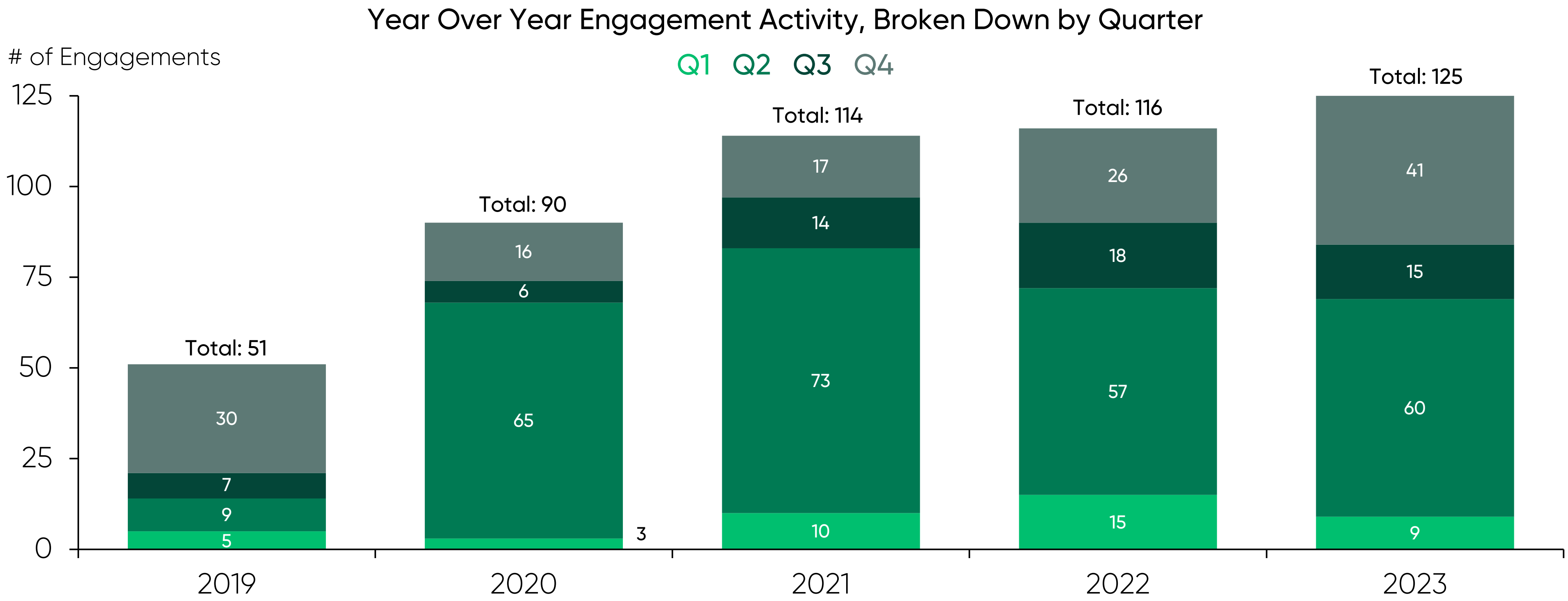
- ✓ Supported by a business case: **"What are the relevant risks and opportunities?"**
- ✓ Assigned an objective: **"What are we asking the company to do?"**
- ✓ Monitored over time: **"What milestones are achieved?"**

Q4 2023 ENGAGEMENT HIGHLIGHTS

- In a recent update, a US medical technology company reported that it has set targets to reduce its water use intensity 10% and reduce its waste generated intensity 20% by 2025. We previously suggested that establishing targets would strengthen its water and waste reduction initiatives and lower relative operating costs as the company continues its rapid growth.

- FI is engaging an Asian oil & gas company regarding the human rights-related business risks of its Myanmar operations. The company recently expanded its operations in the country, and we encouraged it to conduct a comprehensive human rights risk assessment to provide accurate information to the company and its investors. The company conducted the assessment and shared the results in Q4. The Myanmar operations are assessed as having "medium risk" and several follow-up steps were disclosed.

- A South American retailer enhanced its reporting by disclosing both absolute and relative GHG emissions, as FI had recommended.

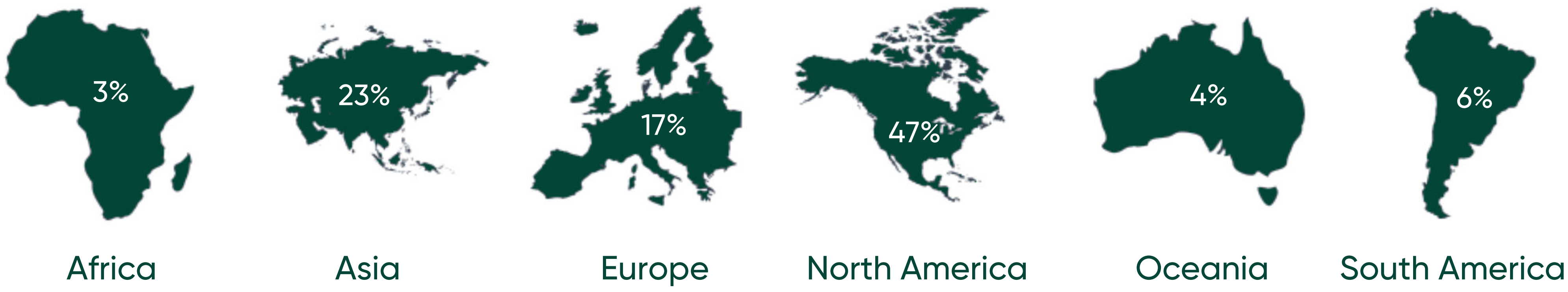


Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries from Q1 2019 – Q4 2023.

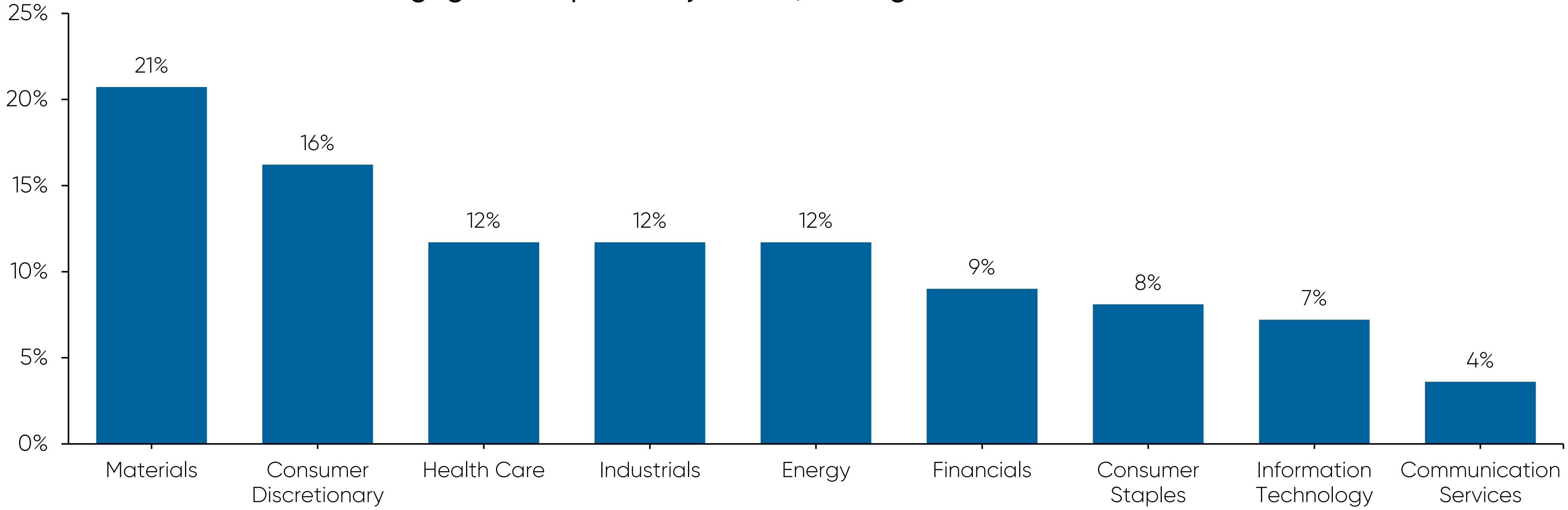
ENGAGEMENT DISTRIBUTION

We engage across a range of geographies and sectors, as shown below.

Domicile of Engaged Companies, Trailing 1 Year as of Q4 2023



Engaged Companies by Sector, Trailing 1 Year as of Q4 2023



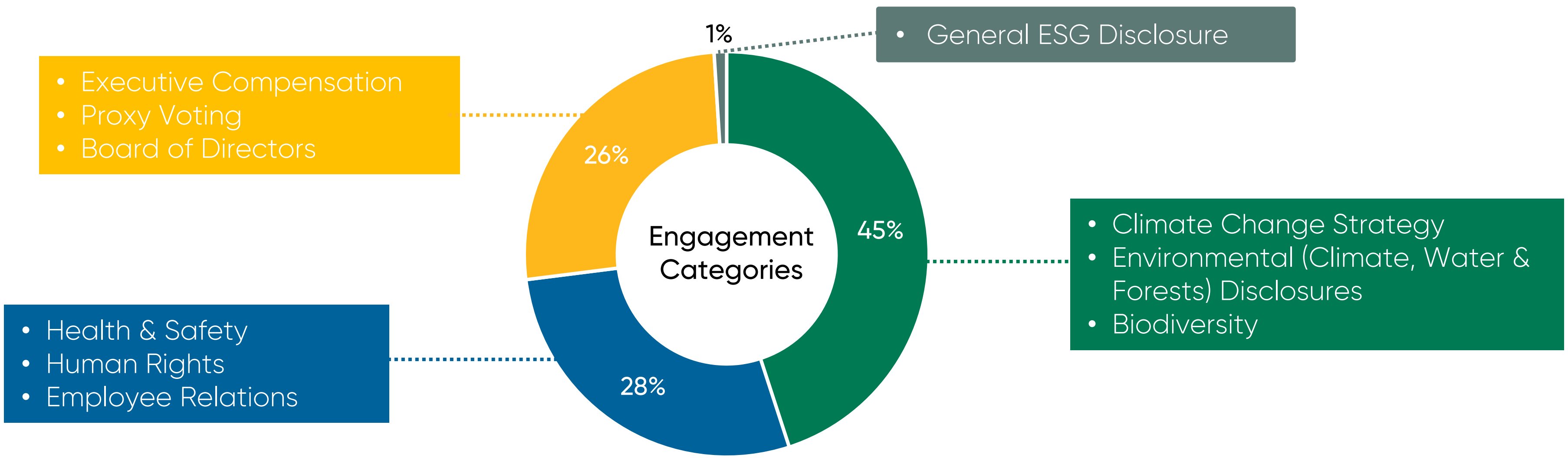
Source: FI data using Factset domicile, sector, and market capitalisation designations. Percentages above may not add up to 100% due to rounding. Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q4 2023.

ESG ENGAGEMENT FOCUS AREAS

We engage on multiple issues in each ESG category. Priority areas are listed below.

	Environmental	Social	Governance
Engagement Priorities 2022 – Current	Climate Risk Biodiversity	Human Rights Human Capital	Executive Compensation Proxy Voting
Additional Engagement Topics	Pollution & Waste Water Stewardship Environmental Opportunities	Labour Relations Social Impact Product Liability	Board Independence Board Diversity Board Oversight & Ethics

Engagement topics by proportion of the E, S, and G categories as of Q4 2023 (Trailing 1 Year)



Data indicated above are based on engagement meetings for all institutional clients of Fisher Investments and its subsidiaries as of Q4 2023. Percentages above may not add up to 100% due to rounding.

ENGAGEMENT HIGHLIGHTS

SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	COMMUNICATION SERVICES
TOPIC:	EXECUTIVE COMPENSATION HUMAN RIGHTS
STATUS:	ONGOING

OBJECTIVE
Review 2023 AGM results, provide feedback to executive compensation, discuss oversight and encourage development of human rights programme.

SUMMARY
The US social media conglomerate is a controlled company - 51.3% of voting power is held by the founders, and less than 50% held by external shareholders. With regard to shareholder proposals, the company compares the proposal to existing programmes and prioritises constructive dialogues. FI commented that the categories of shareholder proposals generally mirror the company's strengths and weaknesses – for example, the company has strong environmental programmes and there are no environmentally-focused shareholder proposals on the ballots. On the other hand, a shareholder proposal calling for equal share class voting rights was supported by a strong majority of external shareholders, however the company is not responsive.

Executive Compensation: The Advisory Vote on Executive Compensation only appears on the company's ballot every three years, and in 2023, it received low support due to pay/performance misalignment and the subjective criteria associated with the awards. FI recognised that the company is unlikely to revise the compensation plan, so we focused on the ESG bonus feature added in January 2022. We recommended that the company replace vague language ("took steps to", "drive progress toward") with specifics. For example, identify the metric used and the threshold and maximum payouts. The company said the feedback was useful and would be shared with the compensation committee.

Human Rights: In 2020, the Audit & Compliance Committee charter was amended to include oversight of civil and human rights issues. The company's Human Rights Executive Council provides oversight and guidance to the human rights programme, which conducts human rights due diligence and has done human rights impact assessments. However, the programme has several areas that could be strengthened, especially related to platform misuse along with the spread of disinformation and hate speech. The company was unable to describe next steps in the development of its human rights programme, although it said it was about to release new statements about its efforts to safeguard elections on social media platforms.

OUTCOME
Ongoing engagement. The company is moderately receptive to investor feedback, and like all social media companies, has more work to do to prevent misuse and protect human rights. We will continue to provide feedback in future meetings.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	CLIMATE CHANGE STRATEGY EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Provide feedback on the company's executive compensation plan following the 2023 Annual General Meeting. Understand the company's plans and programmes to meet the stated net-zero emissions ambition.

SUMMARY

Executive Compensation: At the 2023 annual general meeting, management's Advisory Vote on Executive Compensation received less than 55% support from shareholders. The main concern centered on the magnitude of an ad-hoc equity award to the CEO valued at USD $15 million. Although the award required total shareholder return appreciation to vest, it contained a relatively short sustainment period. In addition, the corporate performance metrics in the annual incentive award did not disclose quantified targets, thresholds or maximums.

We met with a US financial services company to discuss our vote and learn about next year's executive compensation programme. Cognisant of shareholders' view of ad-hoc awards, the compensation committee has committed to not grant these types of awards in the future. Thus, the next proxy will only include compensation elements within the regular features of the programme. We take that as a positive development to align pay closely with performance as integrated in the compensation model.

Separately, we noted that the current pay model does not include ESG performance metrics other than some human capital & D&I related targets. Since the company has set some ambitious environmental and social targets, we suggested the integration of those factors in the compensation plan to align incentives with outcomes.

Climate Change Strategy: The company has committed to a net-zero emissions goal by 2035 for Scopes 1, 2, & 3 emissions. We inquired about the progress and challenges on the path to that goal. In 2022, the company submitted its near- and long-term emissions reduction targets to the Science Based Target initiative (SBTi) for validation. Additionally, it established new governance structures to support the Net-Zero programme, including a Net-Zero Working Group comprised of business unit leads to support the implementation of its net-zero strategy and complement the work of the recently formed Climate Risk Management Working Group and Climate Risk Team. The progress of the initiatives from these groups will be disclosed in future reporting.

The company is monitoring the developments on biodiversity impact assessment and reporting guidelines, in light of the Taskforce on Nature-related Financial Disclosures (TNFD) framework. While climate risk management remains the key environmental focus, it will conduct a materiality assessment in the coming year, which will inform its action-plans on biodiversity impact mitigation.

We provided the feedback that the company should engage closely with ESG data providers to ensure the assessments accurately capture its performance. We noted that our data provider had highlighted a significant rise in consumer complaints, which the company responded was inaccurate.

OUTCOME

Ongoing engagement. The company's climate change strategy is well-developed and supported by governance and management teams. We will continue to monitor the progress updates including the results of the new materiality assessment.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	INFORMATION TECHNOLOGY
TOPIC:	BIODIVERSITY HUMAN RIGHTS PRODUCT LIABILITY PROXY VOTING
STATUS:	ONGOING

OBJECTIVE
Discuss company's efforts to reduce waste and improve worker training in the supply chain.

SUMMARY
FI met with a US technology company to discuss its 2024 ESG priorities.

Biodiversity: The company has industry leading environmental programmes, including an ambition to have 100% of products made from renewable or recycled sources (currently at 20%) and to end its reliance on mining. The cobalt used in one of the company's products is already from 100% recycled sources, and by 2025 the company aims to use 100% recycled cobalt, tin, gold, and rare earth elements in key components. As the company develops its programme, FI will monitor the availability of recycled supply.

Human Rights: An ongoing challenge in global supply chains is ensuring workers are treated fairly. The company has piloted a digital training programme that is delivered directly to workers on their phones– thereby eliminating the need to rely on the local employer to correctly communicate the company's Code of Conduct. We requested more information on this innovative way to reduce human rights risk.

Product Liability: On the topic of artificial intelligence, the company stated that while it remains in touch with regulators, it is not lobbying for a particular outcome. It has been using AI technology for many years (face ID, voice recognition) and its new Civil Rights audit report discusses the topic in detail. Despite the importance of AI to the company's products, it has not announced plans to follow the path of other large technology companies, which are releasing AI products for broad commercial use.

OUTCOME
Ongoing engagement. We will follow up on the human rights digital training programme, and per the company's request, will be available to offer feedback on shareholder proposals filed for the 2024 AGM.

ENGAGEMENT HIGHLIGHTS

GOVERNANCE & GENERAL ESG DISCLOSURE ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	PROXY VOTING EXECUTIVE COMPENSATION GENERAL ESG DISCLOSURE
STATUS:	ONGOING

OBJECTIVE

Provide feedback on the company's 2023 Say-on-Pay proposal and executive compensation programme; discuss the potential impact of the company's new ESG Disclosure Committee.

SUMMARY

FI met with a US bank in Q2 to seek additional details on the company's advisory vote on executive compensation. The company requested a follow-up meeting in Q4 to receive additional feedback.

Executive Compensation: Our data provider issued 'cautious support' regarding the company's advisory vote on executive compensation due to pay-performance misalignment. We had previously provided feedback that the overall compensation plan structure could be strengthened with better disclosures including how weightings, targets and payout thresholds determine short-term incentives. The company acknowledges that adding details would be helpful for investors and is making progress in this area. The company plans to showcase more robust and detailed information on decision making in its compensation programme in its next Proxy Statement.

General ESG Disclosure: After learning that the company recently established an ESG Disclosure Committee to help make its reporting and disclosures more consistent, FI asked for more details on the committee and the potential positive impact it can have on its sustainability programme. The committee regularly reports to the board and has established a framework for looking at various types of voluntary and involuntary disclosures within global frameworks. We noted that additional disclosures would be helpful for investors in evaluating the company's strategy to transition to a low-carbon economy.

OUTCOME

Ongoing engagement. We look forward to seeing more detailed metrics on the company's executive compensation programme in addition to monitoring progress in disclosing how short-term incentives are determined. The new ESG Disclosure Committee is a promising development that should lead to enhanced reporting.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	BOARD OVERSIGHT & RISKS EXECUTIVE COMPENSATION CLIMATE CHANGE STRATEGY HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Gain insight into the company's sustainability priorities and receive update on a regulatory investigation.

SUMMARY

One of Spain's largest banks operates in over 35 countries with major international operations in Mexico, South America, the United States, and Turkey. The firm provides mainly retail banking products and services across all of its regions and more specialised services like investment banking and asset management primarily in Spain. FI engaged with the company to gain insight into its corporate governance and sustainability priorities.

Regulatory Actions: Since 2019, regulatory authorities have been conducting an investigation on the company and certain former corporate officers for illegal spying related to alleged bribery, breach of confidence, and corrupt business practices. We inquired about the status of the case and the board and management have been fully cooperative from the beginning. An extraordinary meeting was called in 2019 and the board was transparent and cooperative with the independent judge running the investigation. The board also hired an external firm to conduct a thorough forensic review of all materials, the results of which were submitted to the judge. The deadline for the investigation is set at the end of January 2024, by which time the case may be closed unless the judge sends it to a public trial. The company noted that none of its current directors or executives are involved in the controversy. The current board is majority independent and includes a set of diverse and experienced members, which should provide robust oversight of the management in the future.

Executive Compensation: In the last AGM, the remuneration committee of the board proposed a new director remuneration policy to shareholder vote. Under the policy, at least 60 percent of variable pay is deferred over five years and may be reduced to risk adjustment factors. For the 2024-2026 period, these objectives include (i) a portfolio decarbonisation indicator and (ii) a gender indicator that will measure the trend in the percentage of women in management positions within the company. FI looks forward to the disclosure of performance updates in the annual reporting.

Climate Change Strategy: The company signed the 2050 Net-Zero Banking Alliance pledge and committed to target GHG reductions by 2030 in six priority sectors, including oil & gas, power generation, auto, steel, cement and coal. FI inquired about other high-intensity sectors, and the bank responded that it is going to set decarbonisation targets for aviation, shipping and real estate during 2024. The bank's lending portfolio is focused on clients demonstrating sustainable transition progression and investment in new clean technologies.

Human Capital: Attraction and retention of talent in a competitive global environment is one of the bank's strategic challenges. To counter the high turnover ratio prevalent in the industry, the company applies a global human capital policy tailored to local needs such as the recent salary reviews in countries facing high inflation. It also offers equality of compensation between the genders and aims to increase the percentage of female employees in all operational areas. Offering schedule flexibility is another lever to improve employee satisfaction and address turnover.

OUTCOME

Ongoing engagement. The company's climate transition commitments along with sectoral transition targets is positive. The revised compensation programme aligns its sustainability priorities well. The human capital programme would benefit from setting meaningful targets related to turnover and employee satisfaction.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	INDUSTRIALS
TOPIC:	BOARD OF DIRECTORS CLIMATE CHANGE STRATEGY HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Receive updates on the company's climate change strategy, employee safety and diversity & inclusion performance.

SUMMARY

The US construction company's board is an experienced and diverse cohort, which maintains 50% gender or minority directors. To adequately address emerging issues, the board recently created sustainability & other public policy committees. The company believes having dedicated committee oversight on sustainability and governance issues will make the board more responsive to managing priorities and performance. However, it has struggled to retain a Chief Sustainability Officer, with multiple people leaving after only a short time.

Climate Change Strategy: Sustainability is one of the major priorities for the company, which set seven new sustainability goals in 2021, including one to reduce Scope 1 & 2 emissions aligned to science-based targets. Encouragingly, the company in 2023 published a Taskforce for Climate-related Financial Disclosures (TCFD) report that disclosed its Scope 3 emissions on the use of its sold products – this represents a milestone in the engagement. The company is proactively making capital investments to develop lower carbon and efficient products to achieve emissions reduction targets.

The recent successful demonstration of the company's first battery electric truck prototype is one product of its clean R&D investments. It is also developing customer partnerships to encourage raising efficiency. It made joint announcements with several of its mining customers to develop efficient electric or flex-fuel machines to be used in mining operations. In September, the company announced joint efforts to develop sustainable mining technologies for a first-ever zero emissions lithium mine site in the US. Other prototypes, using alternative fuels, hydrogen blend and diesel-electric engines remain in various stages of development. The company is also progressing on its goal to implement water efficient management strategies in 100% of its operations in high-risk areas. It continues to be on track to meet its goal of 50% landfill intensity reduction by 2030. A major unit of the company is involved in reusing refurbished and rebuilt units and components of its sold products.

Health & Safety: The company continues to work on a safety-focused culture to meet its stated goal to prevent all injuries. In 2022 the recordable injury frequency (RIF) was reduced by 17% from the 2018 baseline. It has initiated employee partnership programmes and created feedback mechanisms to progressively improve safety performance.

Diversity & Inclusion: The company has not set any diversity & inclusion targets but it reported increased diversity, along ethnic, gender and other factors, in its global workforce year-over-year to 2022. The company unveiled a three-pillar diversity framework focused on workforce, culture and outreach.

OUTCOME

Ongoing engagement. The company is making needed investments and developing partnerships to deploy efficient machines to mining and other industry clients. While widespread adoption of pure battery technology in heavy machinery is still far off, development of flex-fuel and other higher efficiency units is positive. The responsive governance structure in the board with a dedicated sustainability committee should provide oversight and guidance to management and will hopefully stop the turnover in the Chief Sustainability Officer role.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY HUMAN CAPITAL EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Gain insight into the company's strategy to address climate-related business risk, improve employee health and safety performance and corporate governance practices.

SUMMARY

Climate Change Strategy: FI engaged a US cement company and learned its 2030 emissions reduction targets have been validated by Science-Based Target Initiative (SBTi) for the 1.5-degree scenario alignment – a first for a cement producer. FI inquired about the status of the company's transition initiatives and the challenges that remain. In September 2021, the company announced an agenda that includes a 2050 Net-Zero ambition. The company conducted a global inventory of its emissions and produced a detailed 2030 roadmap with a capex of USD $150 million, which is tracked monthly. The company has utilised alternative fuels such as biomass to turn waste into energy in Europe. A major challenge is that there are no clear pathways for further emissions reduction beyond 2030 other than carbon capture, if that technology even becomes broadly feasible. As a cement producer, Scope 1 is the highest emissions category for the company, but it is also trying to work with its suppliers to address its Scope 3 emissions. The company is asking for emissions disclosures and action plans from its suppliers (about 60% of which have reported the information).

Land Use (Biodiversity): The company has implemented plans to enhance biodiversity around its quarries and is committed to being "Nature Positive" by 2030. FI asked about the progress on land impact reduction and rehabilitation plans. The company reported that it will have rehabilitation plans finalised for 100% of its quarries soon. It also highlighted examples of a few initiatives such as creation of biodiversity conservation areas in Mexico and Colombia and the introduction of birdlife in a conservation project in Europe. We suggested that the company discloses its comprehensive biodiversity initiatives in alignment with global initiatives such as the Taskforce for Nature-related Financial Disclosures (TNFD).

Water Stewardship: The company has implemented Water Action Plans in water-stressed locations. It has also set 2030 targets for reducing freshwater withdrawals and increasing water reuse. We asked the company to update us on progress on the water reuse and withdrawal reduction rates.

Health & Safety: The company discloses a robust safety programme, which says employee safety is the company's number one goal. In 2022 there were three fatalities reported. The company explained that most safety incidents are local traffic incidents on the roads and that it reports fatalities for employees as well as third-party contractors. To improve the recent spate of road incidents, the company has identified driver training, education and use of technology to enhance driver safety.

Executive Compensation: FI inquired about the recent integration of sustainability factors in the executive compensation plan. The company added a variable compensation component based on decarbonisation performance that ranges from -10% to +10% in the annual total cash payout for the CEO and top executives. The change is proving helpful in gaining employee support toward its long-term sustainability goals.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

Board Diversity: FI asked about the good governance focus of the board. We noted that one of the directors served on multiple boards, which resulted in a negative vote in the last annual general meeting. The company said that it strives to maintain a global standard of corporate governance although it was a family-founded company headquartered in Mexico. Since 2014 with the arrival of an outside CEO, the board has added two women directors and multiple independent directors, and tenure has been reduced significantly. The current board is confident in its independence and expertise in guiding the company.

OUTCOME

In a very high-emitting industry, the company's emissions reduction commitment is noteworthy. Yet, the true measure of positive action will be based on performance over time. The sustainability focus on biodiversity and water stewardship is also positive. We will continue to monitor the company's progress.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT

SECTOR:	HEALTH CARE
TOPIC:	CLIMATE CHANGE STRATEGY RISK OVERSIGHT & ETHICS
STATUS:	ONGOING

OBJECTIVE

Discuss the company's sustainability strategy and provide feedback in various environmental areas.

SUMMARY

FI met with a US medical company to discuss its ESG priorities, with an emphasis on electricity consumption and disclosing GHG emissions data.

Climate Change Strategy: The company provides thorough details regarding its environmental data but does not have targets for electricity consumption and overall GHG emissions reductions. The company is still mapping its GHG emissions and stressed that all data must be audited for accuracy. Its approach is site-specific, and we encouraged the establishment of company-wide goals so that investors can better assess its performance. We appreciate the company's careful approach, and acknowledge that the company will be a trailblazer because similar-sized companies in the health care industry rate poorly on climate performance.

FI's data provider estimates the company's emissions data. We discussed the benefit of using actual data and suggested that it report actual emissions data to provide consistency and transparency for investors. We also suggested the company report to CDP, which will serve to distribute its data across many ESG reporting platforms.

Corporate Governance: The company is notable for its robust corporate governance measures. FI's data provider had flagged one of the company's board members as overboarded, but after discussing it with the company we determined the director's board commitments are not excessive.

OUTCOME

Ongoing engagement. The company is in the early stages of implementing ESG best practices and recently published its second sustainability report. The company welcomed follow up in the future as the company's sustainability programme continues to progress.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	CONSUMER DISCRETIONARY
TOPIC:	CLIMATE CHANGE STRATEGY HUMAN CAPITAL HUMAN RIGHTS
STATUS:	ONGOING

OBJECTIVE

Receive updates on the company's sustainability programmes, including those related to emissions reductions via solar and supplier management. Understand how the company engages with its employees to measure staff satisfaction.

SUMMARY

Climate Change Strategy: We had previously encouraged the Korean household appliances company to disclose data on how solar energy contributes to its emissions reductions. In its latest ESG report, the company provided detailed metrics on carbon emissions reductions from solar power offsets, including data from recent years and future reductions to achieve its 2050 net-zero target. **We see this additional disclosure as a notable milestone in the engagement.** The company has been investing in solar plants since 2020 and while it currently maintains two plants, it acknowledged that more will be needed in the future to achieve its net-zero target and is in discussions to build its 3rd solar plant. Proactively securing funding and land for solar power will be a primary focus in years ahead. The company is also currently gathering data around its Scope 3 emissions and plans to disclose these metrics in 2025.

Sustainable Sourcing & Conflict Minerals: FI had previously discussed the company providing support for its suppliers in order to make ESG assessments more feasible in addition to setting targets around the percentage of suppliers that the company engages. In 2023, the company proactively revised its ESG management indicators for suppliers based on the UNGP and SASB frameworks. More than 60 of its suppliers conducted self-assessments and the company conducted on-site assessments for nearly 10 suppliers. The company has also rolled out its new ESG Management System in order to manage the status of its suppliers' sustainability practices. In line with this development, the company now provides an ESG Management Consulting programme for its smaller suppliers where it may be more challenging to engage. **We see these developments as a notable milestone in the engagement.** Through the programme, the company can recommend best practices for its suppliers that need improvement in particular ESG areas. In 2023, the company completed the signing of the Compliance Agreement for the Non-Use of Conflict Minerals and plans to expand to its entire supply chain. In the back half of 2023, it conducted data gathering and analysis on conflict mineral use among 70 of its suppliers. The next step is to submit the CMRT (Conflict Minerals Reporting Template) in 2024 and will continue to proactively monitor the components of various materials provided by suppliers.

Human Capital: FI's primary data provider reported that the company may lack annual employee engagement surveys to monitor staff satisfaction. After inquiring about this, the company noted that it does provide a survey for employees related to organisational culture, which allows the company to identify problems for employees and develop improvement plans. In 2023, more than 90% of employees completed the survey.

OUTCOME

Ongoing engagement. The additional disclosure around emissions reductions due to solar power is a notable milestone for the company and we will continue to monitor company progress around its Scope 3 emissions. FI also learned that the company provides surveys for employees related to organisational culture, which was not reflected in the assessment from our data provider.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	HEALTH CARE
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY PRODUCT LIABILITY SOCIAL IMPACT
STATUS:	ONGOING

OBJECTIVE
Gain insight into the company's approach to sustainability and understand the initiatives it has in place to achieve its goals.

SUMMARY
The India-based pharmaceutical company updated its materiality assessment in 2020, which informed its 2030 sustainability vison.

The company has set broad goals to achieve its targets, including commitments to environmental stewardship, making products accessible and affordable for patients, contributing to a fairer and more socially inclusive world and enhancing trust with stakeholders. The company wants sustainability to be more integrated with the business and as a result has created integrated reporting. In addition to the broad goals, the company is working on a number of initiatives including Scope 3 emissions, gender diversity, people with disabilities in the workforce and a living wage.

Climate Change Strategy: The company has set targets related to GHG emissions including carbon neutrality in operations (Scope 1 and 2) and a 12.5% reduction in indirect carbon emissions across its supply chain (Scope 3 emissions), both by 2030. These targets have been validated by the Science Based Targets initiative.

The company reports reductions in Scope 1 and 2 emissions from FY19-FY22, mostly driven by renewables, low carbon fuels, replacing coal with natural gas and moving to rice husk and biomass. As a final step, the company will use offsets for emissions that are hard to abate.

For Scope 3 emissions, the company updated its methodology and tracks the data. It is engaging suppliers to increase its knowledge of emissions drivers and opportunities for reductions.

Waste Management: The company has had a longstanding internal focus on waste reduction and set a goal of 100% global waste circularity (including plastic) by 2025 – it is currently at 99% zero waste to landfill. It set up a Sustainable Packaging Council and is focused on finding alternatives to plastic, including replacing blister packs and using more cardboard and paper. The company also targets reducing volumetric plastic packaging, which will help with Scope 3 emissions.

Product Safety and Quality: FI Inquired as to how the company is dealing with product recalls that were flagged by FI's data provider. The company is working with the data provider to ensure accurate data and FI discussed with the company why engagement is important to fully understand the potential issues. The company acknowledges it sees higher recalls, but attributes this to the company launching 200+ products across the globe and as a percentage, the numbers aren't high comparatively. The company added the recalls were voluntary.

Access to Healthcare: The company has 689 million patients with access to its products, of which 180 million are from low and middle income countries as defined by the UN. The company does not have access to healthcare targets, which FI encouraged them to set. These efforts are implemented through its NGO partner.

OUTCOME
The company has set goals and created a roadmap to achieve them. It wants sustainability to be more integrated with the overall business and is working on new initiatives. FI will continue to monitor the progress the company makes. Ongoing engagement.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	HEALTH CARE
TOPIC:	EXECUTIVE COMPENSATION CLIMATE CHANGE STRATEGY BIODIVERSITY SOCIAL IMPACT
STATUS:	ONGOING

OBJECTIVE

Gain insight into recent leadership transition and receive updates on the company's sustainability performance.

SUMMARY

FI met with a US medical technology company to learn about recent leadership transitions. A new CEO was selected in 2023, while the incumbent transitioned to be the non-executive Chair of the Board. Drawing upon his long tenure within the company, the new role will provide continuity and direction from the board.

Executive Compensation: The company's executive compensation programme integrates ESG metrics but does not disclose the specific ESG key operating drivers (KOD) used to determine payouts. We reiterated our request from previous meetings for the compensation committee to disclose the ESG metrics or provide further details. The company will take our feedback to the committee.

Climate Change Strategy: The company has committed to reduce absolute Scope 1 and 2 GHG emissions by 42% from a 2021 baseline. It aims to achieve carbon neutrality and reduce Scope 3 emissions by over 50% per USD of value added by 2030. The company reported that it is progressing on those emissions reduction targets through efficiency gains and switching to renewables. It will disclose progress impact updates next year.

Water Stewardship & Waste Management: The company has seen tremendous growth in recent years reaching to 19,000 employees globally. As its operational footprint expands, controlling its corporate impact is a major priority. Previously, we had inquired if the company planned to set targets on water use and waste management. The company has indeed set corporate impact targets to reduce waste generation intensity by 20% and water withdrawal intensity by 10% by 2025. The integrated corporate impact report to be published in the second half of 2024 will contextualise these sustainability goals and performance further.

Access to Healthcare: The company has set a 2025 target to improve the lives of underserved 2.5 million patients with structural heart and critical care needs. The company and an associated non-profit organisation aim to positively impact patients around the world by providing devices and monitoring assistance through education and financial support.

OUTCOME

Ongoing engagement. The appointment of non-independent ex-CEO to the Chairman of the Board position may pose the risk of eroding board independence. However, the board has a lead independent director and the need to maintain continuity after a long and successful tenure is compelling. The company's sustainability targets and programmes appear positive; we will evaluate the forthcoming corporate impact report for progress updates.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	ENERGY
TOPIC:	CLIMATE CHANGE STRATEGY SOCIAL IMPACT
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand how it manages the risks of climate change and community impact.

SUMMARY

The Italian energy company operates across exploration and production, gas and power, and refining and marketing. On initial review, FI was encouraged by the company setting - and making progress on - short, medium and long-term GHG commitments. The company was one of the first in the industry to do so, starting in 2015, with objectives for operated assets to improve GHG emissions performance. The company also leads across European oil and gas majors with the most ambitious targets for absolute Scope 1, 2, and 3 emissions reductions. Due to the positive steps taken by the company across its value chain, our engagement focused on ensuring it had credible initiatives in place to achieve its goals, as well as understanding if the company is on track to achieve them.

Climate Change Strategy: The company has a number of goals related to GHG emissions and has made progress towards them. The company has initiatives tied to routine flaring that it believes will drive a reduction in emissions through 2026 and is key to meeting its short and medium-term goals. The volumes of hydrocarbons sent for routine flaring decreased by around 9% in 2022 compared to 2021, mainly due to energy efficiency and flaring interventions in Egypt and Nigeria. It will also replace diesel engines with more efficient alternatives, increase gas production versus oil, and use carbon credits/offsets whilst it finds more sustainable ways to reach net zero.

The company completes enhanced due diligence on offsets to assess alignment between the end use and its business. Today, this is renewables and forest conservation. It intends to reduce the use of offsets from 2030-2050, and will only use high quality carbon offsets after this time to cover any emissions that are hard to abate. The offset need is to be determined.

The company has positioned itself as a leader in CCUS. It has three live projects in Europe, and two more are in development. The company has a goal of achieving storage of over 750 MT CO_2 from its flagship projects and is building a separate entity that will focus on storage. It won't capture directly through this entity but the intention is to transport and store, building a business with similar rates of return to a utility business. The company is building a bio refining business to replace traditional refining. As part of this, it plans to grow 30% of the inputs given the difficulty in sourcing inputs. FI inquired how the company plans to achieve its 2050 goal, and if it has considered external validation. The company was part of the SBTi technical discussion in 2019 to represent the issues in its industry. The methodology is under consideration and once the final version is released it will make a decision on it. FI encouraged the company to pursue external validation to further demonstrate its commitment.

Community Impact: FI inquired how the company has managed a number of controversies. With regard to the Nigerian oil spills, the company attributes nearly all of it to sabotage from local communities not wanting western organisations to operate there. The company tries to prevent it as much as possible, and has made progress on the intensity - although the number of events has increased, the volume of oil spilled has decreased.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

The company made the decision to exit the country, and announced in early September that it would sell its assets to Nigeria's biggest energy company and remove all onshore operations.

In Mozambique, the company was not the onshore operator but worked with other energy companies. It has seen a number of security issues as well as some high profile legal issues. The company has focused on offshore operations and moved its floating LNG barge further offshore. This was based partly on economic reasons, but primarily due to security issues.

OUTCOME

The company has a comprehensive sustainability programme and this approach is integrated into its business and wider operations. FI will continue to follow the progress the company makes on its targets and will follow-up with the company on seeking third party validation of its targets and plan to achieve these.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	SOCIAL IMPACT HUMAN CAPITAL BOARD DIVERSITY CLIMATE CHANGE STRATEGY
STATUS:	CONCLUDED

OBJECTIVE

Gather information on how the company integrates sustainability practices in its operations.

SUMMARY

The small US bank prioritises community impact, diversity & inclusion and good governance in its corporate responsibility programme.

Social Impact: The bank has made a commitment to expand community access to banking and lending, as well as invest in local initiatives while enhancing inclusion and empowerment. In July 2018 the bank entered a five-year USD $1.75 billion community benefit programme focused on lending and investments to low - and moderate - income (LMI) clients and locations. By the end of 2022, the programme had achieved above target progress on LMI mortgage and small business lending, community development investments, and philanthropy goals.

Human Capital: The bank has also prioritised attracting and retaining diverse talent. Its internship programme attracts female and minority associates while it has initiated a number of training and mentoring programmes to enhance employee skills. It has achieved 98% or higher pay equity based on gender and minority status for the last two reporting periods.

Board Diversity: The board of directors is responsive to management's priorities on sustainability and community development. It receives quarterly updates from the corporate responsibility team. The board was refreshed with the addition of three new board members with specific skills and backgrounds on emerging concerns such as cybersecurity, while maintaining diversity.

Climate Change Strategy: The bank's forthcoming 2023 Corporate Social Responsibility report will include assessment of its Scope 1 & 2 emissions. The resulting carbon accounting and emissions reporting will serve as the baseline for potential reduction targets. The company uses industry forums and applicable regulations to determine approaches to its sustainable financing practices. One area to highlight is its progress on using tax-credit financing in the solar energy development projects. There are no formalised credit policies or targets yet, but the bank hopes to develop those in the future.

OUTCOME

Engagement concluded. The company has a well-structured corporate responsibility programme. The board appears responsive to the bank's sustainability priorities. Its performance on community development and investments has been positive in the last five-year cycle.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	ENERGY
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY HUMAN CAPITAL BOARD OF DIRECTORS EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Receive progress updates on the climate change and GHG emissions reduction programme; inquire about its plans for biodiversity impact mitigation and health and safety performance, and gain insight into recent board refreshments and the revamped executive compensation programme.

SUMMARY

FI engaged a US oil & gas company to receive progress updates on its GHG emissions reduction programmes as well as employee health & safety records and director refreshment.

Climate Change Strategy: The company has committed to 40% reduction of Scope 1 & 2 greenhouse gas (GHG) emissions by 2035 from 2018 baseline. Because over 80% of its emissions are directly tied to hydraulic fracturing, replacing its traditional fuel fracking units with electric or dual fuel fleet is the main way to achieve its emissions reduction targets. We inquired about the progress on emissions reduction targets and rate of e-fleet conversion. The company reported that in 2022 its North American hydraulic fracturing GHG emissions intensity was reduced by 3.2% helped by 34% conversion of its existing fleet to electric or dual fuel. It is encouraging that the company is meeting its emissions intensity reduction goals on an annual basis.

To address its Scope 3 emissions, the company has committed to partner with its Tier 1 customers and suppliers to track and reduce emissions. The company noted that e-frack units benefit its customers in both reduced emissions and efficiency gains. It also reported that all of its US e-fleet units are sold out before the well construction begins. Wherever power supply is a challenge due to remote locations, its dual fuel fleet products are usable.

Water Stewardship (Biodiversity): Regarding natural capital and biodiversity impact mitigation, the company adheres to environmental due diligence requirements, including biodiversity impact assessments as required, in its sites. While the most salient water use decisions are made by its clients, the company offers solutions to limit water use for increased efficiency. On its own major facilities located in water-stressed areas, it aims to create water-use improvement plans.

Employee Health & Safety: The company aims to outperform International Association of Drilling Contractors (IADC) peer group in both recordable and lost time incident rates. In 2022, the results for each metric were well below the IADC industry average. We inquired what specific programmes are responsible for continued positive safety performance. Continuous audits and updates to safety protocols, refresher trainings, competency programmes have proved helpful to maintain low safety incidents. The company shares its best practices in industry forums.

Board of Directors: The board's governance policy stipulates mandatory director retirement at 75 years. To replace long-tenured, aged directors, the nomination and governance committee began a refreshment strategy over the past two years resulting in the appointment of four new directors, including two women and two minority directors. The lead director reported that he is confident that the newly added directors bring diversity of skills, experiences and talents, including expertise on cybersecurity, manufacturing, and energy production, as the board is refreshed.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

Executive Compensation: Over the past two years, the company revamped its executive compensation programme to increase the proportion of performance-based compensation. As of FY2022, the annual performance pay plan integrated two ESG categories to account for 20% weight, which FI had encouraged and represents a milestone in the engagement. The outcomes have been positive in that the company discloses performance updates on carbon emissions intensity and diversity & inclusion metrics on an annual basis.

OUTCOME

Ongoing engagement. The company's strategy to pursue emissions reduction through fleet transition is producing positive results. Sustaining the reduction in future years to meet the 2030 Scope 1 & 2 emissions target will be a challenge. The impact of partnering with customers to reduce Scope 3 emissions are yet to be properly assessed. Integrating ESG metrics and aligning performance with pay in the revamped compensation plan received shareholder support. We will monitor progress on overall emissions reduction performance and seek updates on downstream reduction progress.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	CONSUMER STAPLES
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY HUMAN RIGHTS RISK OVERSIGHT BUSINESS ETHICS
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand the initiatives it has in place to achieve its goals.

SUMMARY

The US food products company engages in the production of meat and other food products. The company scores in the top quartile, as defined by FI's data provider, in a number of areas compared to peers, including raw material sourcing, opportunities in nutrition and health, and product safety and quality. FI held an introductory meeting with the IR Team to learn more about the company's initiatives and has scheduled Q1 2024 meetings with both the Environmental and Social teams to discuss specific topics in more detail. The company has clear sustainability priorities and stands out from peers in its industry. The company's priorities have been largely the same for the last decade, and the company believes having a long-term focus is key to achieving its goals. The company's five key focus areas are: products, supply chain, environment, people and community. The company created this framework based on where it wants to be and what it wants to achieve. The company also set itself apart from most peers in food products by publishing a comprehensive Antibiotic Stewardship Report.

Climate Change Strategy: The company's GHG emissions reduction target was recently validated by the Science Based Target initiative. The company intends to release specific goals related to this, and in the latest earnings release announced targets for an absolute reduction of 50% by 2030 and 27.5% across its entire supply chain.

Water Stewardship: The company has several goals related to water stewardship but has seen its water footprint expand with business growth. Water is a big focus for the company and is a topic stakeholders frequently ask about. Most water use goes to sanitation and the company is working on how to do this with less. The company does not provide intensity metrics, which FI recommended it discloses in future reports.

Waste Management: The company has an ambition for zero food waste and this is a big priority. The company is looking to implement a food secure programme in Austin, MN and export it to other locations. To date, progress has been slow as it grapples with infrastructure challenges to connect with those in need.

Plastics and Packaging: The company has initiatives related to packaging but no goals are detailed.

Business Ethics: Two of the largest parts of the company's supply chain are pork and turkey. The pork supply is not vertically integrated and it only has one small hog farming operation (most is externally sourced). It pays close attention to animal welfare and audits suppliers regarding adherence to company standards. In 2022 it conducted more than 2,800 audits. Turkey is vertically integrated, allowing better control and oversight of its standards.

OUTCOME

The company has a clear framework to guide its sustainability programme and FI will follow-up on specific topics with dedicated meetings in Q1 2024. Ongoing engagement.

ENGAGEMENT HIGHLIGHTS

SOCIAL ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	EXECUTIVE COMPENSATION
STATUS:	CONCLUDED

OBJECTIVE

Gather information on executive remuneration policy changes to inform proxy vote.

SUMMARY

Dutch listed companies are required to present their remuneration policies for shareholder approval every four years in accordance with applicable regulation, or whenever there is a change to the policies. Shareholders last approved the Dutch financial services company's remuneration policies at the 2020 annual general meeting (AGM). Ahead of the company's 2024 AGM, FI engaged the company to learn about proposed changes to its remuneration programme.

Due to regulatory requirements, the variable portion of the Executive Board remuneration is capped at 20% bonus. The bonus amount itself incorporates 50% non-financial metrics. The major change proposed is enlargement of the company's peer group to 20, adding two UK banks. We found the selection criteria and the proposed peer additions as relevant and sensible. Another proposed change is to enhance disclosure of benchmarks on the financial and non-financial metrics, which would be positive for transparency. The changes proposed for the Supervisory Board remuneration are minor and track well to the executive board programme.

We inquired about integration of non-financial ESG metrics in the remuneration programme. The scorecard includes ESG metrics for 30% weight, including sustainable lending, gender diversity, and regulatory governance metrics. The company also prioritises gender neutrality in remuneration so that quantum and structure are matched for equivalent roles.

OUTCOME

Engagement concluded. The company provides robust disclosure of its executive board remuneration programme, which is benchmarked to suitable peers. The proposed changes should serve to enhance disclosures and further align pay with performance.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	HEALTH CARE
TOPIC:	SOCIAL IMPACT HUMAN CAPITAL PRODUCT LIABILITY CLIMATE CHANGE STRATEGY
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's social impact strategy in providing access to healthcare, human capital programmes, and climate strategy.

SUMMARY

In 2021, the US pharmaceutical company announced that it had achieved or exceeded 16 of 17 social goals and launched a new set of 2025 goals. The company's focus areas are global healthy equity, employee empowerment and environmental health advancement.

Access to Healthcare: FI inquired about the extent and outcomes of the company's global healthcare equity commitment. It has voluntary licensing and equitable pricing strategies and although the company has exited the vaccines business, its latest came with advantage in access given its single shot dosage, stability and pricing. Up to 80% of its vaccines went to low- and middle-income countries. The company's access programme for tuberculosis and HIV therapies are other examples of its global health equity programmes. The company highlighted that it is instrumental to building out health infrastructure programmes, which is a major deficiency in developing countries. To solve impediments to public health delivery, it has made investments in supply chain programmes in Africa and has worked with local business communities to create healthcare ecosystems. It is supporting training and education of frontline health workers, which is a critical need globally.

Training and Development: FI asked about the company's programmes on employee development and support to develop a global workforce of healthcare workers. The company has supported training of frontline healthcare workers by bringing together experts on pharmaceutical and medical-technology and hosting nursing education and training seminars. In its own employee ranks, the company has set goals to boost the proportion of women and minorities in management positions in its global and U.S. operations. FI suggested that the company disclose the specific results from these initiatives.

Product Safety & Quality: The company has robust quality management practices such as Rx360 membership and the ISO Standard. However, the company has been plagued with lawsuits related to the alleged harm caused by the talc in Johnson's Baby Powder. A court recently rejected the company's plan to create a spin off, offer a USD $8.9 billion settlement and declare bankruptcy. In addition, the lawsuits impacted its ESG assessments by data providers. FI asked about the company's processes to maintain stated quality targets to reduce any recalls. The company responded that quality and safety have been the priority from the founding of the company. Its medical safety function has been enhanced over the decades by an independent and transparent reporting chain, which fosters responsibility. It also suggested that ratings agencies tended to conflate litigation with product safety and quality.

Climate Change Strategy: The company aims to achieve carbon neutrality in its operations by 2030, going beyond its Science-Based Target to reduce absolute Scope 1 and 2 emissions by 60% from 2016 levels. FI asked for updates on its sustainable supply chain programme, for which the company has set the goal to reduce absolute Scope 3 upstream value chain by 20% from 2016 levels. The company said that it is focusing on its largest suppliers, which are more receptive to its efficiency message, while it awaits SEC's emissions ruling so more of its suppliers will begin to decarbonise.

OUTCOME

The company has many notable sustainability programmes but is plagued by product liability lawsuits. The company has not yet resolved its product quality concerns, which are a drag on its ESG ratings.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	FINANCIALS
TOPIC:	CLIMATE CHANGE STRATEGY EXECUTIVE COMPENSATION BIODIVERSITY HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Consider incorporating ESG metrics in the compensation plan; seek progress updates on the bank's climate financing commitment; seek updates on its biodiversity, human capital, and product liability programmes.

SUMMARY

In this follow-up engagement, FI sought updates from the US bank on a list of major governance and sustainability priorities.

Executive Compensation: The management's 2022 say-on-pay proposal received just 31% shareholder support due to a large discretionary stock award granted to the CEO and President. In the 2023 proxy proposal, the compensation committee made a firm commitment to avoid special or discretionary grants outside the formal pay programme.

In the dialogue, we noted further opportunities to align the cash bonus structure with pre-set performance metrics. The company responded that the committee evaluates holistic performance with 50% financial and 50% qualitative metrics for both annual and multi-year review periods. The qualitative portion includes consideration of performance on such salient client/customer/stakeholder goals as racial equity commitment, sustainable development targets, and human capital development. Overall, the company views the current performance structure as balanced to align pay with performance along both financial and non-financial metrics.

Given the company has set major sustainability targets, we inquired if the compensation committee might consider including ESG targets in its executive cash bonus or equity awards. ESG metrics may be internally assessed under the broad non-financial category but shareholders are not privy to the specific metrics. The company reiterated that ESG targets are indeed evaluated and feature prominently on specific ESG-related or relevant business operational goals.

Climate Change Strategy: The company has made a commitment towards the transition to a low-carbon economy with a USD $2.5 trillion Sustainable Development Target by 2030. Due to changes in interest-rates and macroeconomic conditions, we inquired how the bank aims to accelerate sustainable financing to ultimately meet the 2030 target. The bank admitted that it faced major headwinds: financing is more expensive; increasing global instability has made traditional energy attractive; and renewables are not generating adequate returns to compete. However, the bank is focused on managing its sustainability-linked investments for the longer-term and is partnering with different lines of business to increase sustainable financing investments. It continues to leverage projects coming online from the Inflation Reduction Act and the Infrastructure bill to position sustainable financing as a jobs creator in various regions of the country. It has also published net-zero aligned portfolio level emission intensity targets for three additional sectors: iron & steel, cement, and aviation to make it six total sectoral targets.

Biodiversity: The Taskforce for Nature-Related Financial Disclosure (TNFD) published its framework for corporate disclosures recently. The company joined the TNFD Forum last year to engage on TNFD recommendations. We asked the bank to apply the TNFD's guidelines to assess and disclose its strategy to address biodiversity risk mitigation. The bank said work on its biodiversity is in earlier stages compared to climate—it is currently adding internal resources and staff to assess natural capital along with its dependencies and impact.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

Diversity & Inclusion: The company has established lofty goals for employee diversity and inclusion. The majority of the bank's employees are female, and management broadly reflects the demographics of operational locations. Senior leadership is focused on two themes, retaining talent and ensuring a welcoming, inclusive working environment. Management teams are trained on unintentional bias and programmes were launched to increase a diverse talent base of women and African Americans.

OUTCOME

Ongoing engagement. We will continue to monitor the company's sustainability performance specifically its rate of sustainable financing goal, executive compensation metrics, and employee inclusion and diversity.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY COMMUNITY IMPACT HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE
Seek updates on the company sustainability priorities including emissions reduction, biodiversity impact mitigation, and community impact.

SUMMARY
FI held a follow-up engagement with a South African miner of high-quality iron ore, to learn about progress on its sustainability priorities. The company follows the sustainable mining plan of its controlling parent entity with environmental, social and corporate governance pillars.

Climate Change Strategy: The company has a commitment to reduce energy use and net GHG emissions by 30% by 2030. Scope 1 emissions are being addressed through efficiency measures. The company noted that replacing diesel trucks is a challenge and flex-fuel or hydrogen alternatives are being considered. Given the region's suitability for solar generation, the company is counting on renewable supply from the state utility. It also commissioned a 68MW solar photovoltaic (PV) plant at a mine - the first major project in its decarbonisation strategy. Solar and wind power will meet 30 to 40% of electricity requirements over time.

The rising demand for "green steel" is projected to be a positive for the company's high-grade ore product and will help achieve its overall Scope 3 emissions goal of 30% reduction by 2030. In the area of transportation, eight delivery ships are already running on liquefied natural gas.

Biodiversity (Water and Pollution & Waste): FI inquired about biodiversity impact mitigation programmes and if the company will identify net positive impact (NPI) targets. The company released biodiversity standards in 2022, setting a target to achieve NPI by 2030. Internally there are action plans for operational sites. The company does not use ozone depleting compounds such as NOx or Sox, however, ambient dust pollution is a major local impact. The company developed a dust monitoring system complete with recording stations and water sprays to deter blowing of particular dust.

On the topic of mining waste and tailings, the company disclosed the Global Industry Standard on Tailings Management (GISTM) audit of one of its dams in August 2023. It is deploying the latest technology to monitor the stability of the dam. Other company properties include dry dams or has a built wall, which are not concerning.

Community Impact: In partnership with mining companies in the region, the company has initiated an "Impact Catalyst" community development programme. Launched two years ago, there are 14 high priority projects related to agriculture, health, education, technology in schools, connectivity and supplier development. The projects are in different stages but have started to create jobs with local businesses. We inquired if there are impact measurements or outcome assessments of this initiative. There is robust measurement and monitoring using surveys and annual assessment by an independent review. KPIs on net spend and jobs created are tracked, which show total investment of USD $284M and more than 29K jobs created outside of the mine.

OUTCOME
Ongoing engagement. The investment in solar and other renewable energy is encouraging although there are major hurdles yet to meet the near-term emissions reduction goals. The programmes on biodiversity impact mitigation needs to be aligned with emerging standards, which we would like to discuss further. The community impact programme is positive and the results need to be communicated well.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY
STATUS:	ONGOING

OBJECTIVE

Seek further updates following our Q2 2023 meeting on net zero goals and emissions targets, toxic emissions and biodiversity efforts.

SUMMARY

The South Korean materials company has achieved continuous growth from a diverse portfolio of products and has leveraged recent business growth to invest more in its sustainability efforts. The company is now focusing on the next growth engines, eco-friendly sustainable materials, battery materials, and global innovative drugs. Within these, the company is concentrating R&D efforts on areas such as bioplastics, conversion technology for carbon capture utilisation and storage (CCUS), and lithium recycling. The company has five priorities: climate action, renewable energy transition, circular economy, environmental protection and responsible supply chain. Our engagement focused on updates following our previous meeting.

Climate Change Strategy: The company has committed to achieve carbon neutral growth by 2030 and net zero by 2050. FI inquired if the company is planning to publish a roadmap to allow investors to track its progress. At present, it is not planning to do so, as it is within its first year and much is changing. FI encouraged the company to do so in order to be fully transparent with investors.

In the first half of 2022, the company committed to achieving verification from the SBTi and we asked for an update. At present, it is making a final determination on how to achieve the numbers and will share this publicly once finalised.

In our previous meeting, the company shared details on the carbon capture utilisation and storage (CCUS) work it has been doing. The company intends to use CCUS to achieve the 2050 net zero target. It has recently completed construction of a pilot plant and intends to dramatically increase its use.

FI notified the company the Transition Pathway Initiative (TPI) flags the company for not disclosing its membership and involvement in organisations or coalitions dedicated specifically to climate issues, not undertaking climate scenario analysis, not ensuring consistency between its climate change policy and the positions taken by trade associations of which it is a member. The company said it does not currently disclose its trade memberships. It plans to conduct and disclose scenario analysis in 2024. It has been working with the government on its net zero goal and participates in projects around carbon, recycling and renewables.

GHG Emissions: At present, the company's 2050 net zero target is only for Scope 1 and 2 emissions. FI Inquired how Scope 3 emissions are factored into the company's goal. The company has begun to measure Scope 3 and will set a target when it has a full data set. FI encouraged the company to set and make public its target.

Waste Management: The company achieved zero waste to landfill across its domestic operational sites in 2022 as well as at a site in China. It intends to extend this as much as possible and targets 100% of operational sites by 2040.

Toxic Emissions: The company saw business growth in 2022 that led to toxic emissions growth. In addition, South Korea changed the reporting law which led to the numbers increasing. While the law changed, the company's facilities have the technology to capture the emissions. The company noted that it does not intend to re-calculate previous years' data, so stakeholders should be advised there are differences in its toxic emissions disclosures.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL ENGAGEMENT

OUTCOME

Ongoing engagement. The company has elevated emissions, but it is signalling greater participation in low carbon solutions, which it 1) sees as the next driver of growth and 2) is supporting with 2030 goals. FI encouraged the company to set a Scope 3 emissions target, measure progress in relation to biodiversity, and publish more details of how it will achieve its goals.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	INDUSTRIALS
TOPIC:	CLIMATE CHANGE STRATEGY HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Continue dialogue on the company's sustainability programmes, encourage it to assess its Scope 3 emissions and disclose its clean technology capital expenditure plans.

SUMMARY

Climate Change Strategy: The US welding company substantially reduced its Scope 1 and 2 emissions between 2022 and 2021, primarily through efficiency enhancements at individual sites. The company also mentioned that it joined the 'Better Buildings, Better Plants' programme, which promotes efficiency improvements in the industrial sector and allows the company to leverage 3rd party expertise in energy efficiency. It also noted that it has implemented various technologies at individual plants to see what may be most feasible – these include solar power expansion and alternative heating sources.

FI had previously encouraged the company to assess its Scope 3 emissions and it noted that this was a priority that it will be investigating in 2024 for eventual disclosure. We also reemphasised the importance of providing formal disclosure of the company's capital expenditure plans – this is also a priority for the upcoming year as the company gains clarity on how to identify and deploy sustainable capital.

Health & Safety: FI had previously inquired how the company intends to achieve its aggressive target around its total recordable incident case rate. The company has shifted from risk-based to behaviour-based approaches in safety measures – e.g., it recently implemented heat safety maps, where management can proactively identify high-risk activities and conduct root-cause analysis. The company had also previously stated it intends to implement additional safety training for employees and in 2022, it began using a new training system to help guide employees to identify safety risks.

OUTCOME

Ongoing engagement. We will continue to monitor the company's progress around its clean technology investments, Scope 3 emissions data and safety performance.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY SOCIAL IMPACT
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand the initiatives the company has in place to achieve its goals.

SUMMARY

FI engaged a Canadian diversified metals company and learned it has set forth its sustainability strategy based around strategic pillars, including environmental stewardship, thriving communities, business resilience, empowered workforce and good governance. The company features in the top quartile as defined by FI's data provider for both carbon emissions and corporate governance, but FI would like to further understand the company's initiatives related to biodiversity and community impact.

The company has clear sustainability priorities built on its 2021 materiality assessment, which it uses to create a roadmap of factors that are material to both internal and external stakeholders. Top priorities include an interim decarbonisation target, zero harm and no fatalities, and tailings stewardship. The company has stated a double materiality assessment and expects the process to uncover new material topics for them. The company completes the CDP Climate questionnaire and has been asked to complete the Forests one as well, which FI also recommended.

Land Use & Communities: FI inquired on the company's approach to land use and how it works with the communities in which it operates. The company views this as somewhat of a frustration for mining companies given the terms which can be included in permits–e.g., it may not be allowed to restore certain areas until a set time, which some view as too long. It doesn't set targets due to the different nature of each site, but FI recommended they do so to demonstrate the actions they are taking, even if on a site by site basis.

- *Biodiversity Impact at Local Mine:* FI also joined our third-party service provider to engage the company on an ongoing investigation into one of the company's subsidiaries regarding environmental damage to a river aquifer and remediation efforts in the water-scarce region. The company noted that damage was primarily due to abnormally high rainfall levels and it has built four walls to stop water from flowing into the mine. The company thus enabled the aquifer to return to historical water levels and sent a team to meet directly with the local community. The company developed a compliance programme, including a cross-functional project team that collaborates directly with environmental authorities. The company stated that there is currently no contamination of water at the operating site.
- Investors also asked about the company's water management programme and its compliance with the Global Industry Standard on Tailings Management. Nearly all Tier 1 operating sites have completed the necessary diligence for compliance, and all will comply in early 2024. The company also samples local water at its operating sites and reports findings to environmental authorities while constructing various tools to prevent water from overflowing into the damaged area.

Climate Change Strategy: The company has set a 2030 goal to be reduce Scope 1 and 2 emissions by 35% and in 2022 it achieved a 15% reduction. The company has developed a plan for achieving its target based on site-specific decarbonisation roadmaps. The company believes the biggest reduction will come from renewables, including electrification, hydrogen and alternative fuels. The company has also begun to look at Scope 3 emissions. It intends to develop its inventory and ultimately set a 2050 net zero target. FI encouraged the company to also include interim targets to monitor progress.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

The company has multiple nature-based studies underway for carbon capture and sequestration. As an example, it is looking at seaweed to capture carbon and studying sequestration of carbon from tailings facilities. It hasn't set targets yet as it is all R&D but it wants investors to be aware what it is working on.

Community Impact: The company has two types of community investment. Direct investment is created with communities, and other investments are made through an associated charitable foundation. It focuses on either economic diversification or reducing the reliance on mining dollars and jobs around the operations. It doesn't set targets today but is working on it, which FI recommended to demonstrate their efforts.

OUTCOME

Ongoing engagement. The company has set a near term GHG emissions reduction goal as well as laying out a roadmap to achieve it. It is working on a number of initiatives and is planning to set a long-term goal. FI will continue to monitor the progress the company makes.

ENGAGEMENT HIGHLIGHTS

SOCIAL ENGAGEMENT

SECTOR:	COMMUNICATION SERVICES
TOPIC:	HUMAN RIGHTS PRODUCT LIABILITY
STATUS:	ONGOING

OBJECTIVE

Encourage the US social media company to protect human rights in the use of its products; assess implementation of recommendations from the Business for Social Responsibility (BSR) 2019 report on the company and Myanmar.

SUMMARY

Human Rights: The 2016 U.S. Presidential election and Brexit showcased how bad actors use social media to carry out influence campaigns. However, the company truly began to create an enterprise-wide human rights programme after media reports alleged that the company allowed hate speech and misinformation to proliferate in Myanmar, contributing to the killing of Rohingya and the military coup that overthrew the country's democratically elected government. The company is currently embroiled in a lawsuit filed by Rohingya refugees.

In the company's 2023 Responsible Business Practices Report, its materiality assessment identified human rights as "critical" to the business. The company's human rights programme is overseen by the board's Audit and Risk Oversight Committee, but the board does not have human rights expertise, nor are external resources made available to aid the board in its oversight of this "critical" topic. We think this is an area of further development.

The company has an external Oversight Board that makes content moderation decisions and recommendations on human rights policy. The board has the ability to override the company's content decisions and has a track record of doing so, although the decisions are non-binding. Establishing the board represents best practice and provides a publicly-available grievance mechanism, although the scale is far below what is needed.

Preventing Misuse: The company has devoted a lot of resources to this topic and continues to implement the recommendations from the 2019 audit performed by BSR. This includes:

- Rapid expansion of the locally-based Trusted Partner networks. In 2022, the company added Trusted Partners in many new countries. While the scope is encouraging, the company provides little information regarding the efficacy of the partnerships.
- Expanding the number of languages it supports (content moderators that did not speak the local language was a factor in Myanmar). The company estimates its language capabilities currently serve 1 billion people.
- The company is preparing for several high-profile 2024 elections. It is establishing teams to monitor for misinformation, hate groups, and state-sponsored influence campaigns such as those originating in Russia. This is a crucial opportunity for the company to demonstrate it can effectively combat misuse.

To aid in implementation, the human rights team is embedded in other key teams. For example, its members are part of the product teams (country based), the youth team, and the community standards team (content related). However, it is early days in terms of measuring outcomes and there is much room to improve.

Since the company is still in the building phase of its programme, it is using KPIs that measure the scope of its reach. The company should begin incorporating KPIs that measure the effectiveness of its programme, such as: response time to incidents raised by Trusted Partners, response to recommendations from civil society and positive user experience metrics.

Artificial Intelligence: The company also presented its efforts to develop its new AI programme in a responsible manner. However, once a user downloads the open-source programme, there is no mechanism to

ENGAGEMENT HIGHLIGHTS

SOCIAL ENGAGEMENT

restrict access (unless the user violates the terms of agreement). This means controlling customer use is exceedingly difficult and will be an ongoing risk for the company.

OUTCOME

Ongoing engagement. The company is in the ramp up phase of its human rights programme – it is behind where it needs to be, but this is not uncommon for social media. The company has a huge challenge in preventing the spread of hate speech and misinformation. While the company can make strides to measure the amount of content it removes, the amount it reviews is a small percentage of the content that flows across its apps. We'd like to see resources made available to the board to strengthen its ability to oversee human rights risks, which the company has identified as financially material. We'd also like to see the company develop tools and methodologies to measure/monitor the effectiveness of its human rights risk mitigation practices, and enhance its disclosure of human rights-related metrics.

ENGAGEMENT HIGHLIGHTS

SOCIAL ENGAGEMENT

SECTOR:	ENERGY
TOPIC:	HUMAN RIGHTS
STATUS:	ONGOING

OBJECTIVE

Persuade the company to take steps to address business-related human rights risks in Myanmar.

SUMMARY

FI joined three other institutional investors to discuss the human rights-related business risks of an Asian oil & gas company's operations in Myanmar. The company has a longstanding partnership with state-owned Myanmar Oil and Gas (MOGE) to operate a pipeline that transports gas from the Yadana gas fields. After Myanmar's military overthrew the country's democratically-elected government in 2021, investors engaged the company to learn more about the business risks of operating in the conflict-affected territory.

FI had encouraged the company to conduct a comprehensive human rights risk assessment that would provide accurate information to the company and its investors about the company's involvement in Myanmar. The company agreed, and shared the results in Q4. **This represents a milestone in the engagement**.

The company assesses its Myanmar pipeline as having medium risk. It has developed a mitigation plan that includes the establishment of a Workplace Coordination Committee to provide direct link between workers and company management; conducting an Environmental and Socio Impact Assessment on the pipeline route; developing a new e-Learning course for staff to better understand and protect human rights. The mitigation plan will be reviewed quarterly.

MOGE is alleged to be evading US and EU sanctions by requesting that financial transactions be conducted using a non-sanctioned currency. The company appears to have control over the currency that is selected but has agreed to MOGE's requests. It is unclear how much risk this represents for the company.

OUTCOME

The company has taken a meaningful step to manage its human rights risks. We appreciate the care with which the company is approaching its human rights obligations, and look forward to receiving additional updates.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	ENERGY
TOPIC:	CLIMATE CHANGE STRATEGY EXECUTIVE COMPENSATION HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Gather information on the sustainability priorities and performance of the company.

SUMMARY

FI engaged an independent US producer of natural gas and natural gas liquids (NGL) to understand its sustainability priorities.

Climate Change Strategy: The company has set 2025 as the target year of achieving net zero greenhouse gas (GHG) emissions in Scopes 1 and 2. Along with increasing operational efficiency and deployment of a fully electric fleet on long-term contracts, the company has used carbon offsets from a diverse set of projects. FI inquired how it conducts due diligence to assess the effectiveness of its carbon credits. Rather than buying credits of the problematic global forestry permits, the company partnered with a reputable carbon project developer to support the adoption of cleaner and more efficient cookstoves in sub-Saharan Africa. The company said that Scope 3 emissions are out of focus for now, but it has been able to reduce methane emissions intensity 67% since 2019.

Executive Compensation: The company's sustainability focus is reflected in its executive compensation metrics. The long-term incentives now include 3-year emissions performance as one of the metrics, whereas they were previously based solely on total shareholder return (TSR). The compensation committee decided to add quantitative outcomes, including emissions intensity, to ensure management is focused on the 2025 net zero goal. The board's ESG & Safety Committee meets four times a year to review progress. While there has been significant emissions reduction, the committee also appreciates that major technological challenges remain to meet the net zero goal.

Health & Safety: We noted that the company does not disclose a health & safety performance target and asked if its safety policy applies to contractors. The company responded that the ultimate safety goal is zero injuries, but it will eventually set some specific safety targets. The discretionary annual bonus includes safety performance as the major factor.

OUTCOME

The company has set a net zero target and continues to reduce emissions. The technical challenges to meet the target as well as the quality of carbon offset targets need to be scrutinised. We will continue to monitor the company's progress against its targets.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	ENERGY
TOPIC:	CLIMATE CHANGE STRATEGY EXECUTIVE COMPENSATION HUMAN CAPITAL GENERAL ESG DISCLOSURE
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand the initiatives the company has in place to achieve its goals.

SUMMARY

The India-based energy company has an ambitious target to become net carbon zero by 2050 by increasing the use of solar energy, investing in future technologies across the entire value chain and building giga factories to create a renewable energy ecosystem. FI met with the company to understand how it intends to achieve this goal, as well as gaining a further understanding on the company's investments in clean technology, approach to health and safety as well as executive compensation.

The company completed a materiality assessment for the listed entity in FY 2021-22. It has certain management teams responsible for the topics who report to the board, e.g. Net Zero Team, and Health and Safety Team. In addition, it has an ESG Committee and a Risk Committee that report to the board.

GHG Emissions: FI inquired how the company intends to achieve its 2035 goal. The company has set interim targets starting in 2023, to monitor their progress. The main focus areas are clean energy transition, making CO2 a recyclable resource and replacing transportation fuel. As an example, in 2023 the company increased renewable energy consumption by 115% YoY and is on track with the renewable energy transition plan.

Clean Technology: As part of the company's goals, it is increasing investment in clean technologies. By 2025 the company intends to commence the transition from grey to green hydrogen, as well as establishing 20GW of solar capacity for round the clock power. In 2021 the company announced an investment in its sustainable business, focused on setting up giga factories to manufacture and integrate critical components of the sustainable ecosystem. To date the company has established five factories.

Health and Safety: The company has a longstanding focus on health and safety (H&S) and targets zero incidents across the organisation. The company has a Change Agents for Safety, Health and Workplace Environment (CASHE) programme to prioritise workplace safety and health. At present and given the evolving nature of the business, the company is reviewing how to embed safety across the entire organisation.

Executive Compensation: FI Inquired if the company has considered adding Health and Safety, as well as Sustainability metrics for executive compensation. The company is adding H&S into the remuneration structure. Sustainability is part of the terms of reference for the ESG Board Committee, and safety is part of the annual performance appraisals. FI encouraged the company to share details to demonstrate its focus.

General ESG Disclosures: FI Inquired if the company had considered CDP disclosure. The company has reviewed it but there isn't a category for conglomerates so they don't feel it appropriate for them. It has a similar view towards SBTi. FI encouraged the company to seek third party validation of its goals and initiatives.

OUTCOME

Ongoing engagement. The company has set an ambitious target as well as a roadmap and interim targets to monitor its progress. It is working on many initiatives and emphasizes its programs to monitor the effectiveness of, and continued alignment with, the company's objectives. We look forward to receiving future performance updates.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY SOCIAL IMPACT HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE

Gain insight into the announced changes to its emissions reduction goals as well as receive updates on biodiversity impact mitigation, human capital and community impact programmes.

SUMMARY

Climate Change Strategy: In 2021, the diversified metals and mining company set the aspirational goal to achieve net zero emissions by 2050 and committed to interim target of Scope 1 & 2 emissions reduction of 15% by 2025 and 50% by 2030 from the 2018 baseline. In July 2023, the CEO said that the company would not meet the 2025 reduction target without the help of a last resort effort of buying carbon offsets. Lack of technological progress but also regulatory and permitting hurdles slowed the pace of renewable energy developments. Simultaneously, the adoption of carbon credit legislation is putting pressure on the company to seek solutions or write-off significant smelting or refinery assets.

FI inquired what effect these announcements will have on the emission reduction targets and Net-Zero commitments. The company maintained that its long-term position has not changed and it is evaluating all available options to focus on meeting the 2030 targets. Replacing diesel with electric in its mining fleet is technically unviable. The most significant challenge remains the transition of its harder-to-abate operations on aluminum smelting, which is heavily reliant on coal and contributes to almost 80% of the company's operational emissions. Locally, it is doubly harder because wind or solar is not yet economically viable against the abundant coal power. The company developed a 34-megawatt solar farm to power its iron ore mining operations. However, much larger renewable sources are needed to dent the emissions from its aluminum smelters and refiners in at other operating sites.

On efforts to reduce downstream Scope 3 emissions, the company is partnering with its Asian customers to focus on improving operating efficiencies. It has also started developing internal carbon offset projects as it boasts of large land holdings in biodiversity hotspots.

Biodiversity: Regarding natural capital and biodiversity impact mitigation, the company's Biodiversity and Natural Resources Management Standard requires comprehensive identification, change management, and monitoring and reporting of biodiversity and ecosystem risk in all its operational sites. While the company has not published any reports from reviews of the impact mitigation plans, the company would utilise plans on a site-by-site basis for its six priority sites.

Community Impact: In our last meeting in 2021, the company said that it was remediating its working relationship with indigenous Traditional Owners (TO) communities in the aftermath of the blasting of cultural heritage sites. We inquired about the status of the remediation and how the company aims to avoid such controversy in the future. The company's board and management are satisfied with the progress made in securing a new basis of partnership with the TOs led by the recently established Communities and Social Performance Team. The primary operational change has been to move to a co-management model with the local TOs at the site-level with the general manager. The company has thus operationalised a set of controls to manage potential cultural heritage risks from direct engagement with local community experts. Independent surveys in 2021 and 2022 have shown positive improvement in sentiment from the local communities in Australia. Additionally, in 2022 the company launched a five-year communities and social performance vision, goal and strategic framework aimed at continued progress towards long-term shared benefits. A remaining challenge is that historic mining agreements are yet be modernised, while discussions are ongoing with the TOs.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL ENGAGEMENT

Human Capital: In February 2022, the company issued a public statement of apology that it commissioned after the industry came under governmental inquiry due to widespread allegations of sexual harassment. FI is encouraged by the openness of the company in discussing and sharing information on these issues. We acknowledge that the company has initiated efforts to address sexual harassment among its employee base and inquired if there were specific metrics or milestones to assess the effectiveness of programmes initiated in response. The company has enhanced its employee conduct policies, held numerous awareness and behavioural trainings and established secure procedures to address employee grievances. The CEO is highly focused on improving the employee safety performance and managerial level staff undergo targeted trainings and information sharing to distill the safety culture. An independent team will oversee a thorough employee survey again next year, which the company hopes will show tremendous progress in employee safety and reducing instances of harassment. The company is behind its target of increasing female employees 2% per year but is starting to see a rising proportion of females in senior management levels.

OUTCOME

Ongoing engagement. That the company admitted the difficulty of meeting the near-term emissions reduction target is a setback. However, the longer-term position has not changed and we will continue to monitor its continued investment in renewables as it strives to meet its medium-term targets. We suggested the adoption and disclosure according to the TNFD framework on its biodiversity priorities. The modernisation of the mining agreements with its traditional owners will cement the progress that it has made in remediating its community relationships. On employee safety, the company needs to show positive outcomes of its initiated programmes in the next independent survey. We shall continue to monitor the progress updates on each of these initiatives.

ENGAGEMENT HIGHLIGHTS

GOVERNANCE ENGAGEMENT

SECTOR:	INFORMATION TECHNOLOGY
TOPIC:	PROXY VOTING EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Receive updates and provide feedback regarding the company's executive compensation plan.

SUMMARY

In 2022, the US software company received only 35% support on its Say-On-Pay vote compared to 90% in 2021. Investors' primary concern was the size of the performance-based stock option award and felt that the company's compensation committee did not make meaningful pay programme improvements. After engaging on the company's proxy vote in Q2 2023, we held a follow-up meeting in Q4 to receive updates regarding the same topic.

The company said that there was a material error in the proxy adviser's recommendation, which inaccurately stated that 2022 performance targets were reduced. The company also said that any compensation increases reflected tight labour market conditions and high demand for top tech talent.

The company stated that management is taking steps to reduce dilution from stock-based compensation (SBC) and expects that it will decline to less than 10% over the long term as a percentage of total revenue.

FI asked the company how ESG factors are included in compensation planning. The company places an emphasis on D&I factors and ESG goals are included in determining annual bonuses. We encouraged the company to include metrics in its ESG targets.

OUTCOME

Ongoing engagement. FI will continue to monitor company progress as its compensation structure continues to evolve. We will also follow up with the company regarding how ESG goals are included in its executive compensation planning.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT

SECTOR:	MATERIALS
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand how it manages the risks of climate change, understand how the company protects the ecosystems in which it operates, and how the company aligns sustainability with compensation.

SUMMARY

The US materials company across three segments: steel operations, metals recycling operations and steel fabrication operations. It uses the production method generating the lowest GHG emissions per ton of steel through electric arc furnaces. The company wants to be a leader in sustainability. As of June 2023, the company's steel mills' Scope 1 and 2 combined GHG emissions intensity was the lowest among all the global steel companies tracked by the Transition Pathway Initiative. Our engagement focused on understanding the initiatives the company has in place to achieve its ambitious goals.

Climate Change Strategy: FI inquired how the company plans to achieve its net zero emissions by 2050 target. The company has interim targets to monitor progress. To date, it has achieved a 17% reduction in Scope 1 and 2 emissions. It has a number of initiatives in progress, including a bio carbon facility to replace carbon injection. It wants to use the same methods with pig iron as well, since this is one of the largest contributors to Scope 3 emissions. With the initiatives already in place, by 2H24 it expects to go beyond the 2025, 20% target.

The company has a joint venture with a utility company focused on wind for power generation. It expects it to generate 1.1m megawatts of electricity initially, which represents 16% of the steel mill electricity usage in 2021.

The company has completed third party audits to identify other areas to focus on. All the company's divisions have evaluation teams that pick projects based on best fit and set internal goals accordingly. In addition, it has a core environmental group made up of engineers, electricians and metals experts, who review what it is doing at each facility and how they can improve.

FI inquired if the company has considered external validation of the targets such as SBTi. The company considered this and participated in an industry group to build a framework. However, the drafted framework was not in line with company expectations, so it did not participate. The company is working with The Global Steel Climate Council on an alternative draft framework. FI encouraged it to pursue third party validation of the targets, as given the nature of the company and sustainability efforts, this would be a positive next step.

GHG Emissions: The company has plans to address Scope 3 emissions, but wants to ensure it is appropriately covering Scopes 1 and 2 before moving on. FI recommended the company consider Scope 3 as a way to enhance the targets it has already set.

Toxic Emissions: FI inquired if the company has set targets related to its toxic emissions and the impact to biodiversity. It has not, but it has seen increasing investor interest in this. FI encouraged the company to set targets related to toxic emissions given investors' growing interest in biodiversity.

Executive Compensation: FI inquired if the company factors sustainability KPIs into executive compensation. It wants to have a specific metric and is developing a numerical way to do this, but doesn't include a KPI today. On the plant floor 60% of pay is tied to production and conversion costs The key areas are reducing waste, improving energy usage and recycling. FI encouraged the company to do something similar for executive

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & GOVERNANCE ENGAGEMENT

compensation so the leadership of the business is aligned with the sustainability agenda.

OUTCOME

Ongoing engagement. The company has a clear sustainability strategy and this approach is integrated into its business. FI will continue to follow the progress the company makes on its targets and will follow-up with the company on the recommendations given.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	COMMUNICATION SERVICES
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY RISK OVERSIGHT & ETHICS EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Set and disclose interim targets on GHG emissions reduction and zero waste to landfill goals. Encourage programmes to enhance sustainable sourcing. Integrate ESG metrics in executive compensation in the annual bonus and equity awards.

SUMMARY

Climate Change Strategy: The US media conglomerate has set 2030 GHG emissions reduction targets along with other environmental goals. FI inquired if it would set and disclose interim targets. The company has not disclosed interim targets, but it is assessing progress against internal milestones. The upcoming Corporate Social Responsibility (CSR) report, to be published in 2024, will provide progress updates. It is still assessing overall Scope 3 emissions, having completed the emissions inventory for FY2019, which was published in the 2022 CSR.

In December 2022, the company announced that it was setting a science-based target for all emissions in addition to the 2030 GHG emissions target (Scopes 1 & 2 in its direct operations, and Scope 3 in the broader value chain). The emissions reduction strategy was submitted to Science Based Target initiative (SBTi), where it remains in the final stages of validation.

Waste Management & Sustainable Sourcing (Biodiversity): The company has set a 2030 goal of zero waste to landfill at all its wholly-owned and operated parks, resorts, and cruise lines. FI asked about progress toward the waste management goal and if there are interim targets. While it has initiated a number of activities to reduce its generated waste and increase recycling, the company has not set formal interim targets yet. The company has made a commitment to protecting nature throughout its history as evidenced by its USD $125 million contribution through its conservation fund to support community-led biodiversity projects protecting coral reefs, sea turtle habitats, and restoring bird and butterfly populations in hotspot areas. We believe there is room to improve the programme's structure related to the selection and assessment of the biodiversity impact of these projects. We also asked if the company requires its major suppliers to support and adhere to its sustainability aims. The company maintains robust supplier policies with requirements to adhere to standards of conduct. Cooperation with suppliers on Scope 3 emissions reduction is going to be crucial.

Human Capital: A 2022 shareholder proposal requesting a report on median and adjusted pay gaps across race and gender received majority support. We inquired if the company has produced the report and if it has plans to address any gaps in pay. The company published a report on compensation levels and committed to publishing additional material with median pay data in 2024.

Governance & Executive Compensation: After turmoil caused by unexpected CEO turnover, the company's board is attempting to reduce key person risk by extending the contract for the returning CEO until December 2026. The nomination and governance committee continues the crucial work of succession planning to identify suitable candidates and has retained a search firm. The board has complete faith in the returning CEO's performance, who is seen to have already achieved company restructuring, significant cost reduction and is supporting the CEO transition.

The company's executive compensation programme is well-structured and pay is aligned with performance. We inquired about the potential inclusion of ESG metrics in the annual bonus or equity awards. Performance in the ESG metrics is included in the operational metrics, which constitute 30% of annual bonus. We recommended that investors would like to see disclosed quantitative ESG metrics.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

OUTCOME

Ongoing engagement. The company has a clear strategy to ensure environmental sustainability is factored into its operations and entire business. FI would like to see interim targets to guide the long-term goals. We will look for the reports on how the company is addressing any pay gaps among its employees.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	CONSUMER STAPLES
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY PRODUCT LIABILITY RISK OVERSIGHT & ETHICS EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE

Gain insight on the company's approach to sustainability and understand the initiatives the company has in place to achieve its goals.

SUMMARY

The US food products company operates through multiple segments including chicken, beef, pork, and prepared Foods. The company has set out its sustainability priorities with 2030 goals as detailed in the 2022 Sustainability Report, focusing on people and community impact, product responsibility and net zero. FI met with the company to understand its priorities in these areas and the initiatives in place to achieve the goals.

The company updated its materiality assessment in 2021, and with input from 800+ stakeholders, based its goals on what is important to the business and stakeholders. The company recently started a double materiality assessment to align the business with its sustainability agenda and expects this to feature in an upcoming report. The company views Biodiversity as one of its greatest opportunities, given the links to climate, land use, air and water. Its biggest business impact is land mass and it is working with suppliers to employ changes in practice based on the priorities. In 2024 it will focus on linking biodiversity efforts to the above factors and set targets accordingly, FI encouraged this.

Climate Change Strategy: The company has set both short- and long-term GHG emission reduction targets which is encouraging to see. The company has a short-term goal to reduce absolute Scope 1 and 2 emissions 30% by 2030, as well as to reduce Scope 3 GHG emissions from production of poultry, pork and beef (covering 80% of its Scope 3 inventory) 30% per ton of finished meat by 2030, both from a 2016 baseline. The company has had these targets validated by the SBTi. A big driver will be renewable energy and it has a goal to increase renewables 50% by 2050. One Scope 3 initiative launched in March 2023 when the company introduced a climate-friendly, reduced carbon beef product. The company has also set a long-term net zero by 2050 goal. The company is working with the SBTi to re-baseline for 2024.

Deforestation: In 2019 the company began work on developing a forest protection standard and has an action plan in place. The company's focus is monitoring operations rather than risk assessment. This will apply to its entire value chain and it intends to set targets which FI encouraged to make public.

Plastics and Packaging: The company has a goal for all packaging to be recyclable, home compostable or reusable by 2030. The company is working on setting more detailed targets, but these are not public at present.

Product Safety and Quality: The company has numerous initiatives related to product safety and quality, including x-ray, metal detectors and hyperspectral imaging. The company has food safety programmes to monitor performance through laboratory analysis and auditing as well as annual third party certification bodies to assess its programmes. The company has set goals for both food safety and quality for each production facility and goals for each plant regarding food safety performance, including microbiological targets.

Business Ethics: FI Inquired how the company approaches animal care given the nature of its business. The company has six strategic objectives related to animal care, with the ultimate goal of identifying and mitigating risk and capturing opportunity. The company sets targets related to the objectives but they are not public.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL, SOCIAL & GOVERNANCE ENGAGEMENT

FI inquired on the company's Position Statement on Antibiotic Stewardship and if the company plans to publish supporting data. The company has published antibiotic use previously throughout the poultry supply chain. Although it is not currently published, this is under consideration for future sustainability reports which FI encouraged.

Executive Compensation: FI Inquired if the company uses sustainability KPIs for executive compensation. The company evaluates this on a regular basis and today uses the Dow Jones Sustainability Score as a target to determine payouts.

OUTCOME

The company has set out a framework for achieving its sustainability goals. The company is working on a number of initiatives and FI will monitor the progress the company makes. Ongoing engagement.

ENGAGEMENT HIGHLIGHTS

SOCIAL & GOVERNANCE ENGAGEMENT

SECTOR:	CONSUMER STAPLES
TOPIC:	HUMAN RIGHTS EXECUTIVE COMPENSATION
STATUS:	ONGOING

OBJECTIVE
Seek updates on the company's approach to human rights and operations in Russia and discuss executive compensation.

SUMMARY
FI sought an update on the British consumer goods company's operations in Russia as well as the heightened human rights due diligence process it is using across operations and relationships in conflict-affected and high-risk areas (CAHRA) more broadly. In addition, we sought to understand the company's approach to executive compensation.

Update on Russia: The company views the corporate environment as having degraded since FI last met with them. There are more executives being detained, as well as more decrees from the Russian government. The company continues to believe its strategy is the "least bad" option and has no intention today of leaving the country. It views the Russian operation as ringfenced with no import or export support, and no R&D flow. The factory is sourcing locally and only supplies the local market. The company's board has not communicated a preferred outcome and the company has established a cross-functional internal working group to review the situation and provide regular reports to senior leadership. The COO and several others at the company have met with Business 4 Ukraine, and it is referencing the Office of the UN High Commissioner on Human Rights report on fragile areas. FI encouraged the company to provide updates at its next earnings presentation.

Human Rights Policy: FI had previously suggested the company elevate conflict-affected areas as a salient issue within its human rights risk framework. The company recently finished a review of salient issues and believes fragile areas should be overlaid across all of the company's salient issues. However, this approach will not capture the nuances of a standalone review of conflict-affected areas. Due to the location of the company's supply chain, we believe adding the topic as a salient issue would better prepare the company to address future issues.

The company is creating an enterprise-wide geopolitical working group to review where they should be doing heightened human rights due diligence (HRDD) and how it should be done. Geopolitical assessments may be a positive development, but they often focus on how to protect company assets in conflict-affected areas, rather than a holistic approach to human rights and risk to doing business in the area. FI again recommended the company identify conflict as a salient issue.

Executive Compensation: In 2023 the executive remuneration vote was only supported by 42% of investors. Investor feedback included disagreement with new CEO being paid 18% more than old CEO (especially due to financial underperformance); that long-term incentives aren't stretching enough; the company's market share metrics were off; and there were too many sustainability metrics that were insufficiently tied to total shareholder return. The Compensation committee is planning several changes for 2024 and has already announced it is freezing CEO pay for two years.

OUTCOME
Ongoing engagement. The company missed its opportunity to close down its Russia operations and is trying to maintain a low profile with respect to the operations. The company has an excellent human rights programme, but to prevent future instances of business disruption due to geopolitical unrest, we recommended adding conflict-affected areas as a salient issue.

ENGAGEMENT HIGHLIGHTS

ENVIRONMENTAL & SOCIAL

SECTOR:	CONSUMER STAPLES
TOPIC:	CLIMATE CHANGE STRATEGY BIODIVERSITY HUMAN CAPITAL
STATUS:	ONGOING

OBJECTIVE
Gather information on the company's sustainability programme; Provide feedback on setting interim GHG emissions reduction targets and waste management practices in the company's supply chain.

SUMMARY
Climate Change Strategy: The North American retailer has a 2040 net-zero GHG emissions reduction target and FI inquired about setting interim targets as well. The company noted that it is currently having internal discussions on interim targets, including those for 2030 and 2035, and these will be available in its next Annual Report. The company is targeting zero emissions without relying on carbon offsets – instead, it is focusing on electrifying its truck fleet and transitioning to low impact refrigerants in existing stores. The company is currently working to electrify its smaller vehicles and is transitioning to acquire electric vehicles (EV). The company anticipates that as the EV market expands, it will look to transition its long-haul vehicles to electric as well. The company's primary source of Scope 1 emissions is the refrigerants that are used in existing stores. The company is currently exploring alternatives to these chemicals and noted that many new stores utilise more efficient energy sources.

Waste Management: While the company maintains strong waste management practices, FI inquired how the company ensures its suppliers are also implementing best practices. The company participates in a project where it encourages suppliers to work toward various targets around waste, packaging and recycling. The company is in the process of building recycling centres – it built 12 in 2020 and aims to double that amount by 2025.

Zero Waste Target: The company is working toward its zero waste to landfill target by implementing working groups in various areas of the company's stores. This focus at the micro level has led to substantial progress and it also provides employee training to provide guidance on preventing waste from going to landfills. The company has improved its communication with consumers regarding sell-by dates to avoid food waste and currently provides unsold products to associates or local food banks.

Human Capital: After FI learned that our data provider noted substantial turnover for the company in recent years, FI inquired about the programmes that the company implements to retain its talent. The company noted that it has programmes for associates that provide mental and physical health support while also implementing a new learning model to further develop associates' careers.

OUTCOME
Ongoing engagement. While the company maintains strong programmes to address risks associated with its supply chain and waste management practices, FI will continue to monitor company progress regarding its intermediate emissions reductions goals and will provide feedback if necessary.

DISCLOSURES

Source: Fisher Investments Research, as of December 2023.

Data indicated in this report are based on engagement meetings for all Fisher Investments clients. For Professional Client Use Only. Past performance is never a guarantee of future returns. Investments in securities involve the risk of loss. Any investment programme will always involve the risk of loss. Global investing can involve additional risks, such as the risk of currency fluctuations.

As an asset management firm, Fisher Investments (FI) manages investments in shares of a wide range of companies on behalf of our clients. These shares entitle the holders to vote on various issues put forth by the company and its shareholders at the company's annual meeting or at a special meeting.

The report showcases selected engagement highlights to demonstrate how FI engages with company management on ESG issues: environmental issues include but not limited to: climate change, toxic emissions & waste, vulnerability to legislation and impact on local communities; social issues include but not limited to: animal rights, human rights, labour relations, involvement with UN, EU and OFAC sanctioned countries, controversial weapons and governance issues include but not limited to: routine business, corporate governance, board independence, executive compensation, corporate stewardship and bribery & corruption.

FI engages according to Fisher Investments Engagement Policy and identifying engagement opportunities is a part of FI's fundamental analysis and to clarify or express concerns over potential ESG issues at the firm or industry level.

Fisher Investments Europe Limited, which also trades as Fisher Investments Europe, is authorised and regulated by the Financial Conduct Authority (FCA Number 191609) and is registered in England (Company Number 3850593). Fisher Investments Europe has its registered address at: Level 18, One Canada Square, Canary Wharf, London, E14 5AX. Fisher Investment Europe's parent company is Fisher Investments (FI), a U.S. investment adviser registered with the Securities and Exchange Commission. As of 31 December 2023, FI and its subsidiaries managed or sub-managed $237 billion. FI and its subsidiaries maintain four principal business units - Fisher Investments Institutional Group (FIIG), Fisher Investments Private Client Group (FIPCG), Fisher Investments International (PCGI), and Fisher Investments 401(k) Solutions Group (401(k) Solutions). These groups serve a global client base of diverse investors including corporations, public and multi-employer pension funds, foundations and endowments, insurance companies, healthcare organisations, governments and high-net-worth individuals. FI's Investment Policy Committee (IPC) is responsible for investment decisions for all investment strategies. For purpose of defining "years with Fisher Investments," FI was established as a sole proprietorship in 1979, incorporated in 1986, registered with the US SEC in 1987, replacing the prior registration of the sole proprietorship, and succeeded its investment adviser registration to a limited liability in 2005. "Years with Fisher Investments" is calculated using the date on which FI was established as a sole proprietorship through 31 December 2023. Since Inception, Fisher Investments and its subsidiaries have been 100% Fisher-family and employee owned.

TERMS OF BUSINESS

Fisher Investments Europe Limited (FIE) is authorised and regulated by the Financial Conduct Authority. Registered in England, Company No. 3850593.

1. Fisher Investments Europe

Fisher Investments Europe Limited trades under the name Fisher Investments Europe **("Fisher Investments Europe"),** is registered in England (Company No. 3850593) and is authorised and regulated by the UK Financial Conduct Authority **("FCA")** (FCA No. 191609). Fisher Investments Europe's permitted business is agreeing to carry on a regulated activity, managing investments, advising on investments, making arrangements with a view to transactions in investments, arranging deals in investments, dealing in investments as agent, advising on pension transfers and pension opt-outs, and insurance mediation. You can check this on the FCA's register by visiting the FCA's website www.fca.gov.uk/register/home.do or by contacting the FCA on +44 0845 606 1234. The FCA's address is 25 The North Colonnade, Canary Wharf, London, E14 5HS.

2. Communications

Fisher Investments Europe can be contacted by mail at Level 18, One Canada Square, Canary Wharf, London, E14 5AX; by telephone on +44 0800 144 4731; or by email to FIEOperations@fisherinvestments.co.uk. All communications with Fisher Investments Europe will be in English only. Fisher Investments Europe's web address is https://institutional.fisherinvestments.com/engb.

3. Services

These Terms of Business explain the services offered to professional clients and will apply from when Fisher Investments Europe begins to advise you. Fisher Investments Europe offers restricted advice only (meaning it does not offer independent advice based on an analysis of the whole of the market and does not recommend investment management services of companies other than Fisher Investments Europe or its affiliates). As part of its services, Fisher Investments Europe seeks to:

a) Reasonably determine your client categorisation;
b) Understand your financial circumstances and investment aims to determine whether the full discretionary investment service described in Clause 4 and the proposed investment mandate and accompanying benchmark(s) (or an Undertaking for Collective Investment in Transferable Securities ("UCITS") with a similar mandate and benchmark for which Fisher Investments Europe's parent company serves as investment manager) are suitable for you;
c) Explain features of the investment strategy;
d) Describe investment performance as it relates to the investment strategy;
e) Provide a full explanation of costs;
f) Assist in the completion of documentation;
g) Where specifically agreed, review your position periodically and suggest adjustments where appropriate.

Fisher Investments Europe will not provide ongoing services unless you enter into an agreement for discretionary investment management services or invest in a UCITS as described in Clause 4.

4. Discretionary Investment Management Service and Investments

To help you achieve your financial goals, Fisher Investments Europe may offer its discretionary investment management services. In such case, Fisher Investments Europe will outsource the portfolio management function and trading functions to its affiliates. In particular, the portfolio management function will be outsourced to Fisher Investment Europe's parent company, Fisher Asset Management, LLC, trading as Fisher Investments **("Fisher Investments"),** which is based in the USA and is regulated by the US Securities and Exchange Commission (SEC). In addition, trading functions may be carried out by Fisher Investments Europe, its affiliate, Fisher Investments Luxembourg, Sàrl **("FIL"),** which is based in Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier (CSSF), Fisher Investments, or other affiliates (each, a **"Trading Delegate").** Fisher Investments Europe may also outsource certain ancillary services to Fisher Investments, Fisher investments Ireland, or other affiliates.

Subject to applicable regulations, for qualified investors Fisher Investments Europe may recommend an investment in UCITS regulated by the Central Bank of Ireland and for which Fisher Investments serves as investment manager.

5. Client Categorisation

Fisher Investments Europe deals with both retail clients and professional clients. All clients and potential clients who deal with Fisher Investments Europe's institutional directors (sales) **("Institutional Directors")**, will be treated as professional clients, either through qualification as a professional client or, in the case of local municipal authorities, through opting up to be treated as a professional client. Accordingly, you are categorised as a professional client. You have the right to request re-categorisation as a retail client which offers a higher degree of regulatory protection, but Fisher Investments Europe does not normally agree to requests of this kind.

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6. Financial Services Compensation Scheme ("FSCS")

Whilst the activities of Fisher Investments Europe are covered by the FSCS, compensation under the FSCS in the event Fisher Investments is unable to meet its liabilities because of its financial circumstances is only available to eligible claimants. Because you have been categorised as a professional client, you are unlikely to be eligible. In addition, the protections of the UK regulatory regime, including the FSCS, do not apply in relation to the services of Fisher Investments or any non-UK service providers or to the extent your assets are invested in non-UK funds or ETFs. In the event you are eligible and do have a valid claim, the FSCS may be able to compensate you for the full amount of your claim up to £85,000 per person per firm. You can contact Fisher Investments Europe or the FSCS (www.fscs.org.uk) in order to obtain more information regarding the conditions governing compensation and the formalities which must be completed to obtain compensation.

7. Risks

Investments in securities present numerous risks, including various market and currency fluctuation, political, economic and political instability, differences in financial reporting, liquidity risk, interest rate risk, credit risk, and other risks, and can be very volatile.

Investing in securities can result in a loss, including a loss of principal. Using leverage to purchase and maintain larger security positions will increase exposure to market volatility and risk of loss and is not recommended. Investments in securities are only suitable for clients who are capable of undertaking and bearing a risk of loss. Specific risks associated with particular types of securities that may be held in your account are explained further below.

Past performance is not a guarantee nor a reliable indicator of future investment returns. Fisher Investments Europe cannot guarantee and makes no representation or warranty as to future investment returns or performance. There is no guarantee for avoidance of loss, which is impossible with investments in securities, and you have not received any such guarantee or similar warranty from Fisher Investments Europe or any representatives thereof.

Depending on your investment strategy, Fisher Investments Europe may invest in the following types of securities, which carry the following risks:

Investments in smaller companies may involve greater risks than investments in larger, more mature companies. Investing in derivatives could lose more than the principal amount invested in those instruments. Various investment techniques used by Fisher Investments Europe may increase these risks if market conditions are not accurately predicted.

Equity securities prices may fluctuate in response to many factors, including general market conditions, specific sector and country issues, and company specific information or investor sentiment. Individual equity securities may lose essentially all their value in the event of bankruptcy or other insolvencies of the underlying issuer.

Fixed income securities are subject to various risks, including price fluctuation due to changes in the interest rate environment, market liquidity, changes in credit quality of the issuer, prepayment or call features of the securities, and other factors, including issuer default. While some fixed income securities are backed by the full faith and credit of a sovereign government, this does not prevent price fluctuations nor fully eliminate the risk of default. If fixed income securities are not held to maturity, they may realise losses.

Using borrowed funds to purchase and maintain larger security positions will increase exposure to market volatility. In a declining market, investment losses may be substantially increased, occur more rapidly, or become realised. Fisher Investments Europe does not typically employ margin leverage (gearing) on the overall strategy, but may employ some leverage directly or indirectly as a defensive technique (e.g. margin borrowing of securities to sell short for hedging purposes), or indirectly on a limited basis through individual derivative securities, as described more fully below.

If Fisher Investments forecasts a prolonged and substantial market downturn, Fisher Investments Europe may adopt defensive posturing for your account by investing substantially in fixed income securities, money market instruments, structured or exchange traded notes, put options or other derivatives on securities or indexes or ETFs, selling short securities or ETFs, and other hedging techniques. There can be no guarantee that Fisher Investments will accurately forecast any prolonged and substantial downturn in the market, that Fisher Investments Europe will adopt a defensive strategy, or that the use of defensive techniques would avoid losses.

Derivatives typically derive their value from the performance of an underlying asset, interest rates or index. The price movements of derivatives may be more volatile than those of other securities and result in increased investment risk. Many of these investments may not enjoy as much liquidity as other securities.

Short sales may be used to fully or partially hedge other investments or to seek returns unrelated to other investments. "Short sales" means the borrowing of a security for a period of time and selling the borrowed security on the market; the seller is then required to buy the security on the market at a later time before it is due to be returned. Short sales result in gains or losses depending on whether the price of the security increases versus the price at the time of the short sale (which results in a loss) or decreases versus the price at the time of the short sale (which results in a gain). The loss from a short sale is theoretically unlimited depending on how much the security sold short increases in value.

Structured notes and ETNs are debt instruments whose return is derived from the performance of a reference index or other underlying securities or investments. The performance of a note is determined primarily by the performance of the underlying investments; therefore, despite technically being a corporate debt instrument, notes can be designed to provide returns similar to other asset classes. These notes may include leverage, which increases risk and volatility. These notes are issued by third-party financial institutions, at the request of Fisher Investments, and thus bear the credit risk of those entities. Whilst a feature of such notes is a maturity date, they may be sold in the market or redeemed with the issuer before maturity. Given the limited number of market makers involved in quoting a given note, price dislocation versus fair value may occur should limit orders not be utilised when sold in the open market. Alternatively, such notes may be redeemed daily back to the issuer, minus a redemption fee specific to each issuer (generally close to 0.10%), implicitly charged in the execution price.

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8. Data Protection
To offer and provide the services described in Clause 3, Fisher Investments Europe may collect and process personal data that is subject to data protection laws, in accordance with its Privacy & Cookie Policy. You acknowledge the Privacy & Cookie Policy, which can be found here: https://www.fisherinvestments.com/en-gb/privacy.

9. Custody and Execution
None of the Fisher Investments group companies (the "Fisher Group"), including Fisher Investments Europe, are authorised to hold client money. No Fisher Group company will accept cheques made payable to any of the Fisher Group companies in respect of investments, nor will they handle cash. All client assets are held at external custodian banks where each client has a direct account in their own name.

If you appoint Fisher Investments Europe as your discretionary asset manager, Fisher Investments Europe will arrange (including through its Trading Delegates) for the execution of transactions through selected custodian banks and brokers and at such prices and commissions that it determines in good faith will be in your best interests. Further information regarding selection of brokers is governed by your investment management agreement ("IMA") with Fisher Investments Europe. Fisher Investments Europe does not structure or charge its fees in such a way as to discriminate unfairly between execution venues.

The brokers and dealers to which your transactions may be allocated will use various execution venues, including without limitation:

a) Regulated Markets in the USA or elsewhere (usually those exchanges where companies have their primary listing and other exchanges on which their securities are admitted to trading);

b) Multi-Lateral Trading Facilities ("MTF") and Organised Trading Facilities ("OTF") in the USA or elsewhere (i.e. a multilateral system, operated by an investment firm or a market operator, which brings

together multiple third-party buying and selling interests in financial instruments—in the system and in accordance with non-discretionary rules—in a way that results in a contract);

c) Systematic Internalisers (which are investment firms dealing as principal and providing liquidity on a systematic basis);

d) Other liquidity providers that have similar functions to any of the above;

e) Counterparties that may access the above venues on behalf of Fisher Investments Europe and/or its Trading Delegates (or their clients) or trade on their own account.

You must be notified and approve of any off-venue trades prior to execution unless previously agreed to by you directly with the custodian. As a result of brokers/dealers using the execution venues mentioned above, your transactions may be executed on an execution venue that is neither a regulated market in the European Union nor an MTF in the European Union and therefore you will be required to expressly consent to the execution policy of Fisher Investments Europe by signing the IMA.

Fisher Investments Europe's top five trading venues are listed on its website.

Generally, financial instruments will not be affected if a custodian suspends payments or goes bankrupt. This is due to the fact that you will normally be able to take possession of your financial instruments based on the custodian's registration of your rights. Generally, it is only if the custodian fails to handle your financial instruments or register your rights correctly where you may not be able to take possession of the financial instruments.

If you appoint Fisher Investments Europe as your discretionary asset manager, you will receive a periodic statement every calendar quarter. This statement compares the performance of your account with that of a relevant benchmark in order to facilitate the assessment of performance achieved by the account. For performance, management fee calculation and reporting purposes, exchange traded equity securities are valued based upon the price on the exchange or market on which they trade as of the close of business of such exchange or market. All equity securities that are not traded on a listed exchange are valued using a modelled estimate of the bid price, also known as a bid evaluation, provided by Fisher Investments Europe's primary pricing service. Fixed income securities are valued based on market quotations or a bid evaluation provided by Fisher Investments Europe's primary pricing service. All securities are valued daily given a price from Fisher Investments Europe's primary pricing service is provided; otherwise, all securities are valued on at least a monthly basis.

10. Conflicts of Interest
Fisher Investments Europe has a conflicts of interest policy to identify, manage and disclose conflicts of interest Fisher Investments Europe, its affiliates or any of their employees or representatives may have with a client of Fisher Investments Europe, or that may exist between two clients of Fisher Investments Europe. Fisher Investments Europe's conflicts of interest policy covers gifts and favours, outside employment, client privacy, inadvertent custody, marketing and sales activities, recommendations and advice, and discretionary investment management services. Institutional Directors of Fisher Investments Europe are paid a variable component of their total remuneration, calculated as a percentage by reference to management fees paid to Fisher Investments Europe during the first three to ten years of a client relationship. Such remuneration will not increase or impact the fees payable by you. Fisher Investments Europe and Fisher Investments have a financial incentive for Fisher Investments Europe to manage client assets. Details on Fisher Investments Europe's conflicts of interest policy are available on request.

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11. Fees

If you enter into an IMA with Fisher Investments Europe, you will pay management fees to Fisher Investments Europe as detailed in the IMA. Fisher Investments Europe will pay a portion of such management fees to Fisher Investments as the sub-manager. If you invest in a UCITS fund managed by Fisher Investments, Fisher Investments will receive its management fee indirectly through the UCITS. Fisher Investments Europe does not charge a separate fee for its introducing or distribution services. You will also incur transaction and custody fees charged by brokers and custodians. However, any such additional fees will be payable directly to those brokers/custodians, and no Fisher Group company will receive any commission or other remuneration from those brokers/custodians.

12. Termination

If you wish to cease using the services of Fisher Investments Europe at any time, then send notification in writing and the arrangement will cease in accordance with the IMA. However, if a transaction is in the middle of being arranged on your behalf at that time and it is too late to unwind it, then the transaction may need to be completed first.

13. Complaints

Fisher Investments Europe seeks to provide a high standard of service to clients at all times. If you have a complaint about services, please contact Fisher Investments Europe:

by writing to: Head of Compliance
Fisher Investments Europe Limited
Level 18, One Canada Square
Canary Wharf, London, E14 5AX
or by calling: +44 0800 144 4731

Fisher Investments Europe will endeavour to resolve the matter, as soon as practicable and generally within 8 weeks. If you are dissatisfied with the outcome of any complaint made to Fisher Investments Europe, or you do not receive a response within such time, you may be eligible to complain directly to the UK Financial Ombudsman Service ("FOS"). Further details in respect of FOS can be found at www.financial-ombudsman.org.uk.

14. Governing Law

These Terms of Business are governed by, and will be construed in accordance with, the laws of the England.